

# Report of the Directors

The Board is pleased to present this annual report and the audited financial statements for the year ended 31 December 2004.

## PRINCIPAL ACTIVITIES

The Company is a major steel manufacturing enterprise in the PRC. It is principally engaged in the production and sale of billets, wire rods, thick plates, cold rolled sheets, galvanized steel sheets, colour coating plates and large steel products. The domestic market share of cold rolled sheets, galvanized steel sheet, colour coated plates, thick plates, wire rods and large steel products (including H type steel) are 10.92%, 5.54%, 0.81%, 4.76%, 1.76% and 9.37%, respectively.

### The segmental information of principal operating revenue and profit from the principal operations of the Company by products in 2004 (in accordance with PRC Accounting Rules and Regulations)

Unit: Rmb'000

Products	Income from principle operations	Cost of principle operations	Business tax and surcharges of principle operations	Profit from principle operations	Gross profit margin (%)	Percentage change of income from principal activities compared with previous year Increase (+)/ decrease (-) (%)	Percentage change of cost of principal activities compared with previous year Increase (+) / decrease (-) (%)	Percentage change of profit from principal activities compared with previous year Increase (+)/ decrease (-) (%)	Gross profit margin Increase (+)/ decrease (-) (%)
Cold rolled sheets	8,123,068	7,553,600	12,938	556,530	7.01	30.32	36.96	-20.60	-4.51
Galvanized steel sheets, and colour coated plates	2,897,572	2,634,547	11,507	251,518	9.08	—	—	—	—
Thick Plates	4,798,125	3,269,425	7,761	1,520,939	31.86	73.29	66.45	91.04	2.80
Wire rods	2,778,123	2,198,968	14,078	565,077	20.85	60.86	48.91	128.33	6.35
Large steel products	3,889,653	3,447,718	2,956	438,979	11.36	30.69	38.85	-9.49	-5.21
Steel billets	741,076	710,117	514	30,445	4.18	-9.11	-4.56	-56.19	-4.57
Including: connected transactions	2,800,442	2,542,776	6,019	251,647	9.20	33.53	32.64	44.12	0.61

The pricing policy for  
connected transactions

Not less than the average of the selling prices between the Company and independent third parties in the previous month.

Reasons of connected transactions

Steel production requires relatively higher continuity. The Company relies on Angang Holding and its subsidiaries for the supply of most of its raw materials and sells part of its products to Angang Holding and its subsidiaries. Therefore, such connected transactions is expected to continue in the future.

## PRINCIPAL ACTIVITIES (continued)

### The segmental information of principal operating revenue and profit from the principal operations of the Company by products in 2004 (in accordance with PRC Accounting Rules and Regulations) (continued)

Note:

- (1) The increase in income from cold rolled sheet (as a principal operation) over the previous year was mainly due to an increase in sales volume of cold rolled sheet, an increase in the proportion of high value-added products and a rise in the price of products. The sale volume and price of cold rolled sheet increased by 5.60% and 22.68% over the previous year, respectively.
- (2) The increase in income from thick plates (as a principal operation) over the previous year was mainly due to an increase in sales volume of thick plates, an increase in the proportion of high value-added products and a rise in price of products. The sale volume and price of thick plates increased by 31.68% and 31.12% over the previous year respectively.
- (3) The increase in income from wire rods (as a principal operation) over the previous year was mainly due to an increase in sales volume of wire rods, an increase in the proportion of high value-added products and a rise in price of products. The sale volume and price of wire rods increased by 16.45% and 38.05% over the previous year respectively.
- (4) The increase in income from large steel products (as a principal operation) over the previous year was mainly due to an increase in sales volume of large steel products, an increase in the proportion of high value-added products and a rise in price of products. The sale volume and price of large steel products increased by 8.61% and 19.98% over the previous year respectively.
- (5) The decrease in income from steel billets (as a principal operation) from the previous year was mainly due to an increase in production and sale scale, a rise in consumption of billets for own production, and a corresponding decrease in external sales.
- (6) The increase in the cost of cold rolled sheets, thick plates, wire rods and large steel products (as a principal operation) was mainly due to a rise in sales volume and an increase in production cost as a result of the increase in the prices of raw materials.
- (7) The year-on-year decrease of 4.51 percentage points in the gross profit margin of cold rolled sheets was attributable to the higher increase in cost than the increase in price due to the increasing prices of raw materials. The cost and price of cold rolled sheets (being the principal operation) increased by 29.28% and 22.68% over the previous year respectively.
- (8) The year-on-year increase of 6.35 percentage points in the gross profit margin of wire rods was attributable to a rise in the proportion of export sales for 2004. Only to the higher export price than domestic market price and a year-on-year increase in domestic market price, unit price of the products recorded a growth rate of 38.05% which is higher than the growth rate of 27.74% for unit cost, resulting in a rise in the gross profit margin.

**PRINCIPAL ACTIVITIES** (continued)

**The segmental information of principal operating revenue and profit from the principal operations of the Company by products in 2004 (in accordance with PRC Accounting Rules and Regulations)** (continued)

- (9) The decline of 5.21 percentage points in the gross profit margin of large steel products was attributable to the higher increase rate of cost than the increase rate of price arising from the rising prices of raw materials. The cost and price increased by 27.65 % and 19.98% respectively.
- (10) The gross profit margin of steel billets declined by 4.57 percentage points, which was attributable to a rise in the cost from increasing procurement cost of raw materials.
- (11) As compared with the nil sales in last year, the Company sold 549,400 tonnes of galvanized steel sheets and colour coating plates in 2004.

**Segmental information of the revenue and profit from principal operations of the Company by geographical locations in 2004 (in accordance with PRC Accounting Rules and Regulations)**

*Unit: Rmb'000*

	Income from principal operations in 2004	Profit from principal operations in 2004	Income from principal operations in 2003	Profit from principal operations in 2003	Increase/ decrease of income from principal operations compared with previous year (%)	Increase/ decrease of profit from principal operations compared with previous year (%)
Northeast China	10,807,484	1,493,924	5,970,757	996,117	81.01	49.97
North China	1,579,175	224,276	1,148,747	201,560	37.47	11.27
East China	3,549,083	392,813	4,314,257	675,091	-17.74	-41.81
South China	1,699,174	134,107	1,682,783	244,043	0.97	-45.05
Central south China	609,090	83,055	390,275	62,552	56.07	32.78
Northwest China	225,111	28,505	246,351	43,867	-8.62	-35.02
Southwest China	154,335	32,654	120,016	24,376	28.60	33.96
Export sales	4,604,165	974,154	647,550	51,446	611.01	1,793.55
Total	23,227,617	3,363,488	14,520,736	2,299,052	59.96	46.30

There was no material change in principal operations or their structure and the profitability of principal operations in the reporting period as compared with the previous reporting period.

## **PROFIT DISTRIBUTION PROPOSAL FOR THE YEAR**

The Board recommends a distribution of dividend for 2004 of Rmb0.3 (tax inclusive) in cash per share. The proposal is subject to the approval at the Company's Annual General Meeting for 2004. After approval at the Annual General Meeting, the dividend will be payable to the holders of H Shares of the Company whose names appear on the register of members of the Company at the close of trading on 8 April 2005.

## **PROFIT DISTRIBUTION FOR THE REPORTING PERIOD**

The Company held its 2003 Annual General Meeting on 15 June 2004, at which the profit distribution proposal for 2003 was passed. It was resolved that a cash dividend of Rmb2 for every 10 shares be paid. On 7 July 2004, the Company paid cash dividends to its holders of H Shares at the applicable exchange rate of HK\$100 to Rmb106.173, being the average basic exchange rate between Renminbi and Hong Kong dollar as announced by the Bank of China for one calendar week preceding the date appointed for the holding of the general meeting. The cash dividend actually paid to holders of H Shares is HK\$0.18837 per share. On 30 June 2004, the Company paid cash dividend to holders of domestic listed A Shares and State-owned legal person shares. As at the registration date of 29 June 2004, the Company had 753,847,565 listed A Shares and 1,319,000,000 State-owned legal person shares. Cash dividends of Rmb2 for every 10 shares were distributed.

## SHARES HELD BY DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

As at 31 December 2004, interests in the Company's issued share capital held by Directors, supervisors and senior management were as follows:

Name	Position	Gender	Age	Terms of appointment	Number of	Change	Number of
					shares held	during the	shares held
					as at 1	year	as at 31
					January	2004	December
					2004	(share)	2004
					(share)	(share)	(share)
LIU Jie	Chairman of the Board	Male	61	2003.5-2006.5	5,000	0	5,000
YANG Hua	Vice Chairman	Male	43	2003.5-2006.5	0	0	0
CAI Denglou	Vice Chairman	Male	60	2003.5-2006.5	0	0	0
YAO Lin	Director, General Manager	Male	40	2003.5-2006.5	5,000	0	5,000
LI Zhongwu	Director, Deputy General Manager	Male	42	2003.5-2006.5	0	0	0
ZHANG Lifan	Director, Deputy General Manager	Female	40	2003.5-2006.5	0	0	0
FU Jihui	Director, Deputy General Manager	Male	53	2003.5-2006.5	5,000	0	5,000
FU Wei	Director, Deputy General Manager	Male	45	2003.5-2006.5	9,000	0	9,000
YU Wanyuan	Non-executive Director	Male	44	2003.5-2006.5	0	0	0
WANG Linsen	Independent non-executive Director	Male	67	2003.5-2006.5	0	0	0
YAO Weiting	Independent non-executive Director	Male	58	2003.5-2006.5	0	0	0
LIU Yongze	Independent non-executive Director	Male	55	2003.5-2006.5	0	0	0
Francis LI Chak Yan	Independent non-executive Director	Male	38	2003.5-2006.5	0	0	0
QI Cong	Chairman of the Supervisory Committee	Male	59	2003.5-2006.5	0	0	0
ZHOU Fa	Supervisor & Chairman of the Labour Union	Male	59	2003.5-2006.5	5,000	0	5,000
XING Guibin	Supervisor	Male	45	2003.5-2006.5	0	0	0
MA Lianyong	Chief Accountant	Male	43	2002.3-present	0	0	0

## **SHARES HELD BY DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT** (continued)

1. Mr. LIU Jie, Chairman of the Board of the Company, has served as the General Manager of Angang Holding, the controlling shareholder of the Company, since December 1994.
2. Mr. YANG Hua, Vice-Chairman of the Board of the Company, has served as the Deputy Secretary to the Party Committee of Angang Holding since December 2001.
3. Mr. CAI Denglou, Vice-Chairman of the Board of the Company, has served as the Deputy General Manager of Angang Holding since January 1999.
4. Mr. YU Wanyuan, Non-executive Director of the Company, has served as the Deputy General Manager of Angang Holding since December 2001.
5. Mr. QI Cong, Chairman of the Supervisory Committee of the Company, has served as a member of the senior management of Angang Holding since November 1998.

## **REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The remuneration of the Directors and supervisors was proposed by the Remuneration and Review Committee under the Board. It was considered by the Board and will be approved by the shareholders at the general meeting. The remuneration was determined according to the business performance of the Company and of the remuneration paid by similar enterprises in China.

The total remuneration payable to Directors, supervisors and senior management of the Company in 2004 was Rmb1,937,600. The total remuneration payable to the three Directors with highest remuneration, who are also the members of the senior management, were Rmb465,000. The Director's fee payable to Yu Wanyuan, a non-executive Director, was Rmb130,000; the Director's fee payable to Wang Linsen, Yao Weiting and Liu Yongze, independent Directors, were Rmb40,000 respectively; the Director's fee payable to Francis Li Chak Yan, an independent Director, was HK\$40,000. The number of Directors, supervisors and senior management whose remuneration was in the range of Rmb100,000 – Rmb120,000 was 1, in the range of Rmb120,000 – Rmb140,000 was 10 and in the range of Rmb140,000 or above was 1.

## **RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD**

During the reporting period, the Company had no resignation, appointment or dismissal of Directors, supervisors and senior management.

## **PRACTICE NOTE OF SECURITY TRANSACTIONS OF DIRECTORS**

The Board adopted the practice note of securities transactions of Directors on 16 March 2005 to comply with the amendments of the Rules Governing the Listing of Securities with effect from 31 March 2004. In response to the special enquiry of the Company, all the members of the Board confirmed that they have already complied with the requirement set out on Appendix 10 of the Rules Governing the Listing of Securities.

## **OPERATIONS AND RESULTS OF THE MAJOR CONTROLLING SHAREHOLDING COMPANY AND INVESTEE COMPANIES**

The establishment of ANSC-TKS Galvanizing Co., Ltd. (the "JVCo"), a company jointly invested and established by the Company and Thyssen with a registered capital of US\$60 million, was completed in December 2003. The JVCo is engaged in the production of galvanized steel sheets. Each of the investing parties holds 50% equity interest therein. As at 31 December 2004, total assets and shareholders' funds of such company amounted to Rmb1,630,896,000 and Rmb358,612,000 respectively as prepared under PRC Accounting Rules and Regulations. For the year 2004, its income from principal operations amounted to Rmb865,282,000 and net loss amounted to Rmb137,999,000. (Prepared under PRC Accounting Rules and Regulations).

Angang Shenyang Steel Product Processing & Distribution Company Limited (the "Shenyang Processing Company") (鞍鋼瀋陽鋼材加工配送有限公司), is a company jointly invested and established by the Company, ANSI and Angang International Trading Group (鞍鋼國貿公司) ("AITG") with a registered capital of Rmb48,000,000. The Company holds a 30% equity interest in it. The Shenyang Processing Company is mainly engaged in processing cold rolled sheets and hot rolled sheets. As at 31 December 2004, total assets and shareholders' funds of such company amounted to Rmb57,753,000 and Rmb48,794,000 respectively as prepared under PRC Accounting Rules and Regulations. For the year 2004, its income from principal operations amounted to Rmb33,179,000 and net profit amounted to Rmb778,000. (Prepared under PRC Accounting Rules and Regulations).

## **MAJOR SUPPLIERS AND CUSTOMERS**

The cost of purchase from the Company's five largest suppliers amounted to Rmb17.463 billion, representing 92.24% of the Company's total purchase for the year of which purchases from the largest supplier represented 89.20% of the Company's total purchases. The sales to the Company's five largest customers aggregated to Rmb6.407 billion, representing 27.68% of the Company's total turnover for the year and the largest customer accounted for 10.23%.

## **MAJOR SUPPLIERS AND CUSTOMERS** *(continued)*

ANSI is a subsidiary of Angang Holding, the controlling shareholder of the Company and the largest supplier of materials to the Company. Except for those disclosed in this report, none of the Directors, supervisors and their associates nor any shareholder (which to the knowledge of the Directors hold 5% or more of shares in the Company) had any interest in any of the aforementioned suppliers and customers.

## **THE CODE OF BEST PRACTICE**

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules issued by the Stock Exchange which was in force prior to 1 January 2005 since the listing of the Company's shares on the Stock Exchange on 24 July 1997.

## **AUDIT COMMITTEE**

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the audited financial statements for the year ended 31 December 2004.

## **SUPPLEMENTARY INFORMATION ISSUED ON THE WEBSITE OF THE STOCK EXCHANGE**

In accordance with the requirement of Article 1 to 3 of Section 45 under Appendix 16 of the Listing Rules Concerning Securities, details of all the financial and related information of the Company will be issued on the website of the Stock Exchange on schedule.

## **SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS**

Each of the Directors and supervisors of the Company has entered into a service contract with the Company for an initial term of 3 years commencing from 23 May 2003. No Director or supervisor has entered into any service contract with the Company which may not be terminated by the Company within one year without compensation other than statutory compensation.

## **PURCHASE, SALE AND REDEMPTION OF SECURITIES**

In 2004, the Company issued 633,594 A Shares upon conversion of the convertible debentures issued by the Company in March 2000. Other than the A Shares issued upon such conversion, there was no other purchase, sale or redemption by the Company or any of its subsidiaries of its securities during the year.



## **PRE-EMPTIVE RIGHTS**

In accordance with the Articles of Association of the Company and the laws of the PRC, no pre-emptive rights exist that require the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

## **DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS**

In 2004, none of the Directors or supervisors of the Company had any material interests in any contracts in which the Company, or the holding Company or any of its subsidiaries were involved in.

## **TRUST DEPOSITS**

As of 31 December 2004, the Group did not have any trust deposits placed with any non-banking financial institutions in the PRC and did not encounter any difficulties in making withdrawals of the Group's fixed deposits with banks.

## **FIXED ASSETS**

Movements in the fixed assets during the year are set out on pages 100 to 101 and pages 151 to 153 of this report.

## **CONVERTIBLE DEBENTURES**

Details of the convertible debentures are set out on page 112 and page 159 of this report.

## **RESERVES**

Movements in the reserves during the year are set out on pages 113 to 114 and pages 162 to 163 of this report.

## **STATUTORY PUBLIC WELFARE FUND**

Details of the statutory public welfare fund in terms of its nature, application, movement and basis of calculation (including the percentage used and amount of profits for calculation) are set out on pages 113 to 114 and pages 162 to 163 of this report.

## **EMPLOYEE RETIREMENT SCHEME**

Details of the employee retirement scheme of the Company are set out on page 123 and page 169 of this report.

## CONNECTED TRANSACTIONS

Details of connected transactions for the year are set out on pages 118 to 123 and pages 166 to 169 of this report. The independent non-executive Directors of the Company has confirmed that (i) all connected transactions entered into by the Company during 2004 have been entered into in the ordinary and usual course of business, either on normal commercial terms or on terms that are fair and reasonable so far as the shareholders are concerned; and (ii) the consideration of each of the connected transactions has not exceeded the respective prescribed cap as granted by the Stock Exchange.

## FIVE-YEAR SUMMARY

A summary of the results and of the asset and liabilities of the Company for the past five years is set out on page 174 of this report.

## CHAPTER 13 DISCLOSURE

The Directors confirmed that there were no matters occurring in 2004 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor make any loan agreements imposing specific obligations on the controlling shareholders.

## CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS

There was no change in accounting policies and accounting estimates or correction of material accounting errors in 2004.

## SUFFICIENT PUBLIC SHAREHOLDINGS

According to the information obtained by the Company through public channels, and so far as the Directors are aware of as at the latest practical date before the publishing of this annual report, the Company has been maintaining sufficient public shareholdings to comply with the Listing Rules during the year.

## AUDITORS

KPMG (Certified Public Accountants in Hong Kong) and KPMG Huazhen (Registered Accountants in the PRC) were appointed as the Company's international and domestic auditors respectively in 2004. A resolution for the reappointment of KPMG and KPMG Huazhen as the Company's international and domestic auditors respectively for the year 2005 will be proposed at the forthcoming Annual General Meeting to be held on 9 May 2005.

## STATEMENT ON THE USE OF FUNDS BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES FOR THE YEAR ENDED 31 DECEMBER 2004

To the Board of Angang New Steel Company Limited:

We have accepted the appointment and audited the Company's consolidated balance sheet and balance sheet as at 31 December 2004, and the consolidated income statement and profit appropriation statement, income statement and profit appropriation statement, consolidated cash flow statement and cash flow statement for the year then ended (the "financial statements") in accordance with the China's Independent Auditing Standards of the Certified Public Accountants. We issued an auditors' report with an unqualified audit opinion on these financial statements on 16 March 2005.

Pursuant to the requirements of the "Notice on listed companies' issues relating to regulating the funding transactions with related parties and the guarantees provided to third parties" issued by the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of the State Council, the Company has prepared the "Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2004" (the "Summary"), which is attached in the appendix to this statement.

The Company is responsible for preparing and disclosing the Summary and ensuring its truthfulness, legitimacy and completeness. We are not aware of any inconsistency, in all material respects, when comparing the information contained in the Summary with the financial information verified in the course of our audit and the related contents in the audited financial statements of the Company for the year ended 31 December 2004. Except for the audit procedures performed in the course of our audit of the financial statements for the year ended 31 December 2004 on the Company's related party transactions, we have not performed any additional audit and other procedures on the information contained in the Summary.

In order to have a better understanding on the use of funds by the Company's controlling shareholder and other related parties for the year ended 31 December 2004, the Summary should be read in conjunction with the audited financial statements.

KPMG Huazhen

Certified Public Accountants  
Registered in the  
People's Republic of China

**Wu Wei**

**Zheng Jun Fang**

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16 March 2005

## STATEMENT ON THE USE OF FUNDS BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2004

Nature of the use of funds	Name of related parties	Relationship	Account name	Balance	Increase during the year	Decrease during the year	Balance	Remarks
				as at the beginning of the year			as at the end of the year	
Borrowings	—	—	—	—	—	—	—	—
Entrusted loans	—	—	—	—	—	—	—	—
Entrusted investments	—	—	—	—	—	—	—	—
Issuing commercial bills without genuine business transactions	—	—	—	—	—	—	—	—
Settlement of liabilities on behalf of related parties	—	—	—	—	—	—	—	—
Others (e.g. payment of expenses on behalf of related parties, accounts receivable and other receivables due from related parties aged over one year)	—	—	—	—	—	—	—	—

This summary has been approved by the Board on 16 March 2005.

## STATEMENT OF INDEPENDENT DIRECTORS

In accordance with the document Zheng Jan Hui Fa [2003] No. 56 "Notice in relation to the issues of the regulation of cash flow between listed companies and connected parties, and external guarantees of listed companies" (the "Notice") as issued by China Securities Regulatory Commission, we are practical and realistic in carrying out cautious and responsible examination on Angang New Steel Company Limited's (the "Company") external guarantee. Details of which are as follows:

1. The Company has been in compliance with the relevant requirements of the Listing Rules since its listing, and has not provided any guarantee to its controlling shareholders and any other connected parties with shareholdings below 50%, or non-legal person units or individuals.
2. The Company has not provided any guarantee for any other companies in 2004.
3. As of 31 December 2004, the Company's provision of external guarantees amounted to Rmb540,000,000 (prepared in accordance with PRC Accounting Rules and Regulations), accounting for 5.33% of the net assets of the Company and its affiliates as at 31 December 2004.
4. The Company has no overdue guarantee in 2004.

### **STATEMENT OF INDEPENDENT DIRECTORS** *(continued)*

5. As of the date hereof, the Company has not been subjected to any penalty, criticism nor condemnation by the securities regulatory departments in respect of the Company's external guarantees.
6. The Company has amended its Articles of Association pursuant to the requirements of the Notice.

### **WORKING REPORT OF THE BOARD**

1. The fifth meeting of the third Board was held on 23 March 2004, at which the signing of Asset Purchase Agreement by the Company with Angang Holding was approved, pursuant to which the Company shall acquire from Angang Holding the water supply stations and assets of the thick plate plant and wire rod plant of Angang Holding.
2. The sixth meeting of the third Board was convened on 16 April 2004, at which the following resolutions were considered and approved:
  - (1) the working report of the Board for 2003;
  - (2) the annual report and its summary for 2003;
  - (3) the audited financial statements for 2003;
  - (4) the Company's profit distribution plan for 2003;
  - (5) the proposed remuneration for Directors for 2003;
  - (6) the appointment of KPMG and KPMG Huazhen as the Company's international and domestic auditors for 2004 was agreed; and to be proposed to the Annual General Meeting for consideration and the Board was authorised to determine their remuneration;
  - (7) The proposed amendments to the Articles of Association.
3. On 29 April 2004, the seventh meeting of the third Board was held, at which the first quarterly report for 2004 was approved.
4. On 20 July 2004, the eighth meeting of the third Board was held, at which resolution in relation to adjustment to the special committee of the Board was approved.

**WORKING REPORT OF THE BOARD** *(continued)*

5. On 10 August 2004, the ninth meeting of the third Board was held, at which the following proposals were passed:
  - (1) The Company's interim report and its summary for 2004;
  - (2) The Company's interim profit distribution plan for 2004.
6. On 25 October 2004, the tenth meeting of the third Board was held, at which the third quarterly report for 2004 was approved.
7. On 1 November 2004, the eleventh meeting of the third Board was convened, at which the Proposal for Establishment of ANSC - Xinchuan Heavy Industries Dalian Steel Product Processing and Distribution Company Limited as a Joint Venture was approved.
8. On 29 December 2004, the twelfth meeting of the third Board was held, at which the following resolutions were passed:
  - (1) Resolution in relation to the Eligibility of Issue of New Shares by Angang New Steel Company Limited;
  - (2) Resolution in relation to the Application of New Share Issue by Angang New Steel Company Limited;
  - (3) Analysis Report of the Feasibility of the Use of Proceeds from the New Issue by Angang New Steel Company Limited;
  - (4) Resolution in relation to the Explanation of the Previous Use of Proceeds given by the Board of Angang New Steel Company Limited;
  - (5) Resolution in relation to the Approval of the Acquisition Agreement regarding 100% Equity Interests in Angang New Steel and Iron Company Limited by Angang New Steel Holding Company Limited and Angang New Steel Company Limited;
  - (6) Resolution in relation to the Sharing of the Undistributed Profits Retained before Issue by New and Old Shareholders;
  - (7) Resolution in relation to the Authorization of the Board the Full Handling of Relevant Matters regarding the New Issue and Equity Interests Acquisition;

**WORKING REPORT OF THE BOARD** *(continued)*

- (8) Resolution in relation to Raw Materials and Service Supply Agreement Entered into between Anshan New Steel Holding Company Limited and Angang New Steel Company Limited;
  - (9) Resolution in relation to the Construction of the Production Line of 2130mm Cold Rolled Steel;
  - (10) Resolution in relation to the Financial Report and Profit Forecast Report;
  - (11) Resolution in relation to the Establishment of Independent Directors Committee; and
  - (12) Resolution in relation to the Convening of the first Extraordinary General Meeting of 2005, the first Domestic Shares Class General Meeting of 2005 and the Convening of the first Foreign Investment Shares Class Meeting of 2005.
9. On 30 December 2004, the thirteenth meeting of the third Board was held, at which the Proposal for Establishment of TKAZ (Changchun) Tailored Blanks Limited as a Joint Venture was approved.
10. Execution of the resolutions passed at the general meeting of the Company by the Board

The Company held its Annual General Meeting for 2003 on 15 June 2004, at which the profit distribution proposal for 2003 was passed. It was resolved that a cash dividend of Rmb2 for every 10 shares be paid. On 7 July 2004, the Company paid cash dividends to its holders of H Shares at the applicable exchange rate of HK\$100 to Rmb106.173, being the average basic exchange rate between Renminbi and Hong Kong dollar as announced by the Bank of China for one calendar week preceding the date appointed for the holding of the general meeting. The cash dividend actually paid to holders of H Shares is HK\$0.18837 per share. On 30 June 2004, the Company paid cash dividend to holders of domestic listed A Shares and State-owned legal person shares. As at the registration date of 29 June 2004, the Company had 753,847,565 listed A Shares and 1,319,000,000 State-owned legal person shares. Cash dividends of Rmb2 for every 10 shares were distributed.

On behalf of the Board

**Liu Jie**  
*Chairman*

16 March 2005