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**鞍 鋼 股 份 有 限 公 司**

**ANGANG STEEL COMPANY LIMITED\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 347)

**FIRST QUARTERLY REPORT OF  
ANGANG STEEL COMPANY LIMITED FOR 2009**

**1 IMPORTANT NOTICE**

- 1.1 The board of directors (the “Board”) and the supervisory committee (the “Supervisory Committee”) of Angang Steel Company Limited (the “Company”), its directors (the “Directors”), supervisors and senior management members warrant that there is no misleading statement or misrepresentation contained in, or material omission from this report, and are jointly and severally liable for the truthfulness, accuracy and completeness of the information contained in this report.
- 1.2 The financial statements of the Company for the first quarter of 2009 have not been audited by accountants.
- 1.3 Mr. Zhang Xiaogang, the Chairman of the Board and Mr. Ma Lianyong, the Chief Accountant and Head of the Accounting Department of the Company, warrant the truthfulness and completeness of the financial statements in the quarterly report.

## 2 COMPANY PROFILE

### 2.1 Major accounting data and financial indicators

*Unit: Rmb million*

	<b>As at the end of the reporting period</b>	<b>As at the end of last year</b>	<b>Increase/ decrease</b>
Total assets	93,608	92,179	1.55%
Equity attributable to the equity holders of the parent company	53,137	53,103	0.06%
Share capital	7,235	7,235	—
Net assets per share attributable to the equity holders of the parent company ( <i>Rmb</i> )	7.34	7.34	—

	<b>For the same period last year</b>			
	<b>For the reporting period</b>	<b>After adjustment</b>	<b>Before adjustment</b>	<b>Increase/ decrease</b>
Total operating revenue	15,633	18,586	18,586	-15.89%
Net profit attributable to the equity holders of the parent company	8	2,450	2,443	-99.67%
Net cash flow from operating activities	1,342	3,718	3,718	-63.91%
Net cash flow from operating activities per share ( <i>Rmb</i> )	0.185	0.514	0.514	-64.01%
Basic earnings per share ( <i>Rmb</i> )	0.001	0.339	0.338	-99.71%
Diluted earnings per share ( <i>Rmb</i> )	0.001	0.339	0.338	-99.71%
Return on net assets	0.02%	4.33%	4.32%	Decreased by 4.31 percentage points
Return on net assets after deduction of extraordinary items	-0.04%	4.33%	4.32%	Decreased by 4.37 percentage points

<b>Extraordinary items</b>	<b>Amount from the beginning of the year to the end of the reporting period</b>
Non-operating income	47
Non-operating expenses	-10
Income tax	-9
Total	<u><u>28</u></u>

## 2.2 Statement of total number of shareholders and the information of the shareholdings of the top 10 shareholders not subject to trading moratorium at the end of the reporting period

*Unit: Share*

**Total number of shareholders as at the end of the reporting period** 203,976 shareholders in total, including 555 holders of H shares

### Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholder (full name)	Number of shares not subject to trading moratorium held as at the end of the reporting period	Class of share
HKSCC Nominees Limited	1,071,671,629	Overseas-listed foreign shares
China Construction Bank — Great Wall Brand Prime Equity Securities (中國建設銀行 — 長城品牌優選股票型證券投資基金)	33,693,513	Renminbi ordinary shares
China Construction Bank — Huabao Industrial Prime Stock Securities Investment Fund (中國建設銀行 — 華寶興業行業精選股票型證券投資基金)	29,587,734	Renminbi ordinary shares
China Construction Bank — China International China Advantage Securities Investment Fund (中國建設銀行 — 上投摩根中國優勢證券投資基金)	28,854,472	Renminbi ordinary shares

Industrial and Commercial Bank of China — South Prime Stock Investment Fund (中國工商銀行 — 南方成份精選股票型 證券投資基金)	22,764,154	Renminbi ordinary shares
China Life Insurance Co., Ltd. — Bonus — Personal Bonus — 005L-FH002 Shen (中國人壽保險股份有限公司 — 分紅 — 個人分紅 — 005L — FH002深)	20,517,617	Renminbi ordinary shares
Dacheng Value Growth Securities Investment Fund (大成價值增長證券投資基金)	20,439,742	Renminbi ordinary shares
Industrial and Commercial Bank of China — Huaan Middle-Small Growth Equity Securities Investment Fund (中國工商銀行 — 華安中小盤成長股票型 證券投資基金)	16,370,411	Renminbi ordinary shares
Industrial and Commercial Bank of China — Rong Tong Shenzhen Stock Exchange 100 Index Investment Fund (中國工商銀行 — 融通深證100指數證券投資基金)	14,328,002	Renminbi ordinary shares
China Everbright Bank Co., Ltd. — Everbright & Pramerica Core Equity Securities Investment Fund (中國光大銀行股份有限公司 — 光大保德信量化核心證券投資基金)	14,131,882	Renminbi ordinary shares

### 3 SIGNIFICANT EVENTS

#### 3.1 Significant changes in the major items of the financial statements and financial indicators and reasons for changes

Applicable    Not applicable

1. The decrease in business tax and auxiliary charges as compared with the corresponding period last year was mainly attributable to: 1) the decrease in city maintenance tax, education surcharges and local education fees as a result of decreased in realisation of the value-added tax; and 2) the decrease in tariffs as a result of decreased export of steel products and exemption from tariffs for hot rolled sheet and medium & thick plates effective from 1 December 2008.
2. The decrease in selling expenses as compared with the corresponding period last year was mainly attributable to: 1) the decrease in freight charges, insurance, sales service charge and agency commissions for export as a result of decreased export volume; 2) the decrease in railway transportation expenses as a result of decreased volume of sales in CIF terms; and 3) the decrease in packaging fee.
3. The decrease in investment income as compared with the corresponding period last year was mainly attributable to the losses of some jointly controlled entities and associates invested by the Company in the first quarter.
4. The increase in non-operating income as compared with the corresponding period last year was mainly attributable to the write-back of long outstanding accounts payable.
5. The increase in non-operating expenses as compared with the corresponding period last year was mainly attributable to the increase in obsolescence of fixed assets in the first quarter as compared with the corresponding period last year.
6. The decrease in total profit and net profit as compared with the corresponding period last year was mainly attributable to 1) the lower profitability as a result of the sharp decrease in steel prices affected by the global financial crisis; and 2) higher cost as a result of the rise in raw materials prices and consumption of raw materials inventories purchased at high prices.

7. The decrease in income tax expenses as compared with the corresponding period last year was mainly attributable to the decrease in total profit.
8. The decrease in cash and bank balances as compared with the end of last year was mainly attributable to Rmb1,342 million of cash inflow from operating activities, Rmb2,108 million of cash outflow from investing activities and Rmb598 million of cash outflow from financing activities.
9. The increase in bills receivable as compared with the end of last year was mainly attributable to the increase in bank acceptance bills received by the Company. During the period, Rmb3,570 million of bank acceptance bills was received while the settlement of bills and endorsement amounted to Rmb2,143 million.
10. The increase in prepayments as compared with the end of last year was mainly attributable to the increase in prepayments for raw materials and spare parts.
11. The increase in available-for-sale financial assets as compared with the end of last year was mainly attributable to changes in fair value of the 10,000,000 non-public issued shares in Hunan Zhuzhou Smelter Group Co. subscribed by the Company at the end of period. The fair value of such shares as at the end of last year was Rmb45 million (Rmb4.49 per share) and as at the end of this reporting period was Rmb81 million (Rmb8.13 per share).
12. The decrease in construction materials as compared with the end of last year was mainly attributable to the consumption of construction materials.
13. The increase in bills payable as compared with the end of last year was mainly attributable to the increase in payment of raw materials by bank acceptance bills. During the period, Rmb2,883 million of bank acceptance bills were issued and the payment due decreased by Rmb556 million.
14. The increase in non-current liabilities due within one year as compared with the end of last year was mainly attributable to the transfer of long-term loans due within one year into this item.

### 3.2 Note and analysis of the progress of significant events and their impact and solution

Applicable  Not applicable

### 3.3 Performance of undertakings by the Company, shareholders and the de facto controller

Applicable  Not applicable

Undertakings	Contents of undertakings	Performance of undertakings
Share reform undertaking	<p>1. Angang Holding, the controlling shareholder of the Company, has made certain minimum statutory undertakings during the period of the State-owned Share Reform Plan under the relevant laws and regulations.</p> <p>In addition to the minimum statutory undertakings, Angang Holding had also made the following special undertakings:</p> <p>(1) The shares held by Angang Holding following the completion of the State-owned Share Reform Plan would be subject to a trading moratorium of 36 months from the listing date, except for the shares to be transferred to the holders of tradable A shares upon his/her exercise of the warrants.</p>	No breach of any of such undertakings by Angang Holding was found during the reporting period.

- (2) In the event that the Company, subject to approval of the general meeting of shareholders and regulatory authorities, issues new tradable A shares to Angang Holding for the acquisition of the 100% equity interest in ANSI held by Angang Holding, Angang Holding undertakes that such new shares held would also be subject to a trading moratorium of 36 months from the day on which the shares were transferred to Angang Holding's account.
- (3) Angang Holding shall maintain a minimum of 60% shareholding in the Company commencing from the completion of the above acquisition till 31 December 2010.
- (4) Angang Holding warrants that it shall compensate other shareholders for any loss arising from its failure to fulfill the whole or part of the undertakings herein.
- (5) Angang Holding shall complete formalities for the deposit of the consideration shares held thereby with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch to ensure the fulfillment of obligation for such consideration arrangements.
- (6) Angang Holding will pay all the costs relating to the State-owned Share Reform Plan.

Angang Holding further undertook that:

“We will faithfully fulfill our undertaking and accept the corresponding legal liabilities. Unless it is agreed by the transferee and being able to be liable for the undertakings, we will not transfer any share held by us.”

Undertaking  
of trading  
moratorium

1. On 28 October 2008, the Company received a notice from Angang Holding that according to the Approval Reply on the Whitewash Waiver to Angang Holding from General Offer to Acquire Shares in Angang Steel Company Limited issued by China Securities Regulatory Commission to Angang Holding, Angang Holding would increase the shareholding in the Company from the secondary markets within 12 months since the date of share acquisition (i.e. 28 October 2008) in a quantity no more than 361,000,000 shares or 4.99% of the issued shares of the Company. On 28 October 2008, Angang Holding acquired additional 1,000,000 shares in the Company through the trading system of the Shenzhen Stock Exchange, accounting for 0.014% of total share capital of the Company.

Angang Holding undertook that:  
it would not reduce its  
shareholding in the Company  
within the period of acquisition  
and the statutory period.

2. On 3 December 2008, 526,795,621 shares in the Company held by Angang Holding was released from trading moratorium under the Company's State-owned Share Reform Plan, representing 7.28% of total share capital of the Company. Angang Holding undertook that it had no plan to sell any tradable shares not subject to trading moratorium within six months after the shares were released from trading moratorium.

No breach of any of such  
undertakings by Angang Holding  
was found during the reporting  
period.

Undertakings made in the acquisition report or equity change report	—	—
Undertakings made in significant asset restructuring	—	—
Undertakings made in issuance	—	—
Other undertakings (including additional undertakings)	1.	<p>On 24 October 2007, the Company and Angang Holding entered into Supply of Materials and Services Agreement (2008-2009), pursuant to which, Base Price of the iron concentrate is “a price not higher than the average free-on-board import price reported to the PRC Customs for the first half of the year before adjustment (“Average Import Price”) plus railway transportation expenses from Bayuquan Port to the Company and a price adjustment according to grade. Among other things, the price adjustment according to grade is based on the weighted average grade of the iron concentrate imported by the Company in the previous half year. Price adjustment for every 1% of grade of the iron concentrate is Rmb10/tonne.”</p> <p>Angang Holding made the undertaking to give a discount of 5% of Average Import Price to the maximum price determined on the basis of such Base Price. The undertaking is valid from 1 January 2008 to 31 December 2009.</p>
		No breach of any of such undertakings by Angang Holding was found during the reporting period.

**3.4 Warning on any potential loss in accumulated net profit for the period from the year beginning to the end of next reporting period or any material change in accumulated net profit as compared with the corresponding period of last year and the reason thereof**

Applicable     Not applicable

**Results estimation**

**Loss**

	From the beginning of the year to the end of next reporting period	The corresponding period of last year	Changes (%)
Estimated total net profit/(loss) (RMB)	(2.99 billion) — 0	5.98 billion	Decrease by 100% to 150%
Basic earnings per share/(loss) (RMB/shares)	(0.413) — 0	0.827	Decrease by 100% to 150%

Reasons for the results estimation: Given the pervasive impact of the global financial crisis, shrinking demand and decreasing prices in steel markets, excessive domestic production capacity as well as unbalanced supply and demand for steel products, the Company estimated the total net profit from the beginning of the year to the end of the next reporting period will decrease by 100% to 150% as compared with the corresponding period of last year.

**3.5 Other material events**

*3.5.1 Investment in securities*

Applicable     Not applicable

### 3.5.2 Reception of Activities including research, communication and interviews during the reporting period

From January to March 2009, 5 visits were made by 9 persons (including domestic and foreign investors, fund managers, industry analysts) to the Company; and more than 20 teleconferences were held with foreign investors, fund managers and analysts. Information provided and matters communicated in the above activities were based on the announcements published by the Company, which were in strict compliance with Guidelines on Fair Disclosure of Information of Listed Companies.

Time of reception	Place of reception	Manner of reception	Received party	Issues discussed and information provided
14 January 2009	The Office of the Secretary to the Board	Investigation and research on site	Mr. Pay Cher Wee of DBS Vickers Mr. Chua Thiam Joo of GK Goh Strategic Holdings Pte Ltd	1. Production and operation of the Company 2. Development trend of the Company 3. Status of domestic and overseas steel industry
18 February 2009	The Office of the Secretary to the Board	Investigation and research on site	Lu Zheng (盧正) of CLSA Ltd. Shanghai Rep. Office Vishal Gupta of Sansar Capital Asia PTE Ltd.	1. Production and operation of the Company 2. Development trend of the Company 3. Status of domestic and overseas steel industry
3 March 2009	The Office of the Secretary to the Board	Investigation and research on site	Chen Wenyu (陳蚊仔) of CLSA Ltd. Shanghai Rep. Office William James of Partner Fund	1. Production and operation of the Company 2. Development trend of the Company 3. Status of domestic and overseas steel industry

17 March 2009	The Office of the Secretary to the Board	Investigation and research on site	Chang Lee of Woori Investment & Securities Lu Mingxing (路明星) of Beijing Research Center of Woori Investment & Securities	<ol style="list-style-type: none"> <li>1. Production and operation of the Company</li> <li>2. Development trend of the Company</li> <li>3. Status of domestic and overseas steel industry</li> </ol>
19 March 2009	The Office of the Secretary to the Board	Investigation and research on site	Li Min (李民) of JP Morgan Securities (Asia Pacific) Limited	<ol style="list-style-type: none"> <li>1. Production and operation of the Company</li> <li>2. Development trend of the Company</li> <li>3. Status of domestic and overseas steel industry</li> </ol>

### 3.5.3 *Explanation to other significant events*

Applicable       Not applicable

## 4 APPENDICES

### 4.1 Balance Sheet

Prepared by: Angang Steel Company Limited  
31 March 2009

*Unit: Rmb million*

Item	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
<b>Current assets:</b>				
Cash and bank balances	1,610	1,550	2,974	2,914
Bills receivable	4,010	4,010	2,583	2,583
Accounts receivable	962	962	1,235	1,235
Prepayments	5,119	5,119	2,731	2,731
Other receivables	78	78	78	78
Inventories	9,254	9,254	10,372	10,372
Total current assets	21,033	20,973	19,973	19,913
<b>Non-current assets:</b>				
Available-for-sale financial assets	81	81	45	45
Long-term equity investment	2,266	2,326	2,262	2,322
Fixed assets	44,520	44,520	43,252	43,252
Construction in progress	13,906	13,906	12,547	12,547
Construction materials	3,996	3,996	6,242	6,242
Intangible assets	6,723	6,723	6,761	6,761
Deferred tax assets	1,083	1,083	1,097	1,097
Total non-current assets	72,575	72,635	72,206	72,266
Total assets	93,608	93,608	92,179	92,179

**Current liabilities:**

Short term loans	7,450	7,450	7,570	7,570
Bills payable	6,912	6,912	4,585	4,585
Accounts payable	3,462	3,462	3,427	3,427
Payment received in advance	3,682	3,682	3,629	3,629
Salaries payable	319	319	329	329
Taxes payable	-2,890	-2,890	-2,771	-2,771
Other payables	2,839	2,839	3,523	3,523
Non-current liabilities				
due within one year	1,521	1,521	1,031	1,031
Total current liabilities	23,295	23,295	21,323	21,323

**Non-current liabilities:**

Long term loans	16,989	16,989	17,565	17,565
Deferred tax liabilities	47	47	47	47
Other non-current liabilities	140	140	141	141
Total non-current liabilities	17,176	17,176	17,753	17,753
Total liabilities	40,471	40,471	39,076	39,076

**Owners' equity (Shareholders' equity):**

Paid-up capital (share capital)	7,235	7,235	7,235	7,235
Capital reserve	31,450	31,450	31,423	31,423
Surplus reserve	3,309	3,309	3,301	3,301
Undistributed profit	11,143	11,143	11,144	11,144
Equity attributable to the equity				
holders of the parent company	53,137	53,137	53,103	53,103
Minority interests	—	—	—	—
Total owners' equity	53,137	53,137	53,103	53,103
Total liabilities and owners' equity	93,608	93,608	92,179	92,179

Legal representative:    Person in charge of accounting:    Head of the accounting department:

**Zhang Xiaogang**

**Ma Lianyong**

**Ma Lianyong**

## 4.2 Income Statement

Prepared by: Angang Steel Company Limited  
From January to March 2009

*Unit: Rmb million*

Item	Amount for the period		Amount for the previous period	
	Consolidated	Parent Company	Consolidated	Parent Company
<b>1. Total operating revenue</b>	<b>15,633</b>	<b>15,633</b>	18,586	18,586
Including: Operating revenue	<b>15,633</b>	<b>15,633</b>	18,586	18,586
<b>2. Total cost of operations</b>	<b>15,639</b>	<b>15,639</b>	15,471	15,471
Including: Operating cost	<b>16,206</b>	<b>16,206</b>	13,937	13,937
Business tax and auxiliary charges	<b>39</b>	<b>39</b>	240	240
Selling expenses	<b>182</b>	<b>182</b>	393	393
Administrative expenses	<b>619</b>	<b>619</b>	700	700
Finance expenses	<b>165</b>	<b>165</b>	201	201
Impairment losses on assets	<b>-1,572</b>	<b>-1,572</b>	—	—
Add: Investment income (loss stated with “-”)	<b>-17</b>	<b>-17</b>	41	41
Including: Investment income from associates and jointly controlled entities	<b>-17</b>	<b>-17</b>	41	41

<b>3. Operating profit</b>				
(loss stated with “-”)	<b>-23</b>	<b>-23</b>	3,156	3,156
Add: Non-operating				
income	<b>47</b>	<b>47</b>	6	6
Less: Non-operating				
expenses	<b>10</b>	<b>10</b>	8	8
Including: Loss on				
disposal of				
non-current				
assets	<b>10</b>	<b>10</b>	2	2
<b>4. Total profit (loss stated with “-”)</b>	<b>14</b>	<b>14</b>	3,154	3,154
Less: Income tax expenses	<b>6</b>	<b>6</b>	704	704
<b>5. Net profit (loss stated with “-”)</b>	<b>8</b>	<b>8</b>	2,450	2,450
Net profit attributable to the				
equity holders of the				
parent company	<b>8</b>	<b>8</b>	2,450	2,450
<b>6. Earnings per share:</b>				
(1) Basic earnings				
per share ( <i>Rmb</i> )	<b>0.001</b>	<b>0.001</b>	0.339	0.339
(2) Diluted earnings				
per share ( <i>Rmb</i> )	<b>0.001</b>	<b>0.001</b>	0.339	0.339

Legal representative: **Zhang Xiaogang**      Person-in-charge of accounting: **Ma Lianyong**      Head of the accounting department: **Ma Lianyong**

### 4.3 Cash Flow Statement

Prepared by: Angang Steel Company Limited  
From January 2009 to March 2009

*Unit: Rmb million*

Item	Amount for the period		Amount for the previous period	
	Consolidated	Parent Company	Consolidated	Parent Company
<b>I. Net cash flow from operating activities:</b>				
Cash received from sales of goods and rendering of services	17,084	17,084	23,215	23,215
Refund of tax and levies	11	11	—	—
Cash received relating to other operating activities	5	5	1	1
Sub-total of cash inflow from operating activities	17,100	17,100	23,216	23,216
Cash paid for purchase of goods and receipt of services	14,303	14,303	16,685	16,685
Cash paid to and on behalf of employees	649	649	642	642
Taxes and auxiliary charges paid	711	711	1,990	1,990
Cash paid relating to other operating activities	95	95	181	181
Sub-total of cash outflow from operating activities	15,758	15,758	19,498	19,498
Net cash flow from operating activities	1,342	1,342	3,718	3,718

<b>2. Cash flows from investing activities:</b>				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4	4	4	4
Cash received relating to other investing activities	144	144	14	14
Sub-total of cash inflow from investing activities	148	148	18	18
Cash paid to acquire fixed assets, intangible assets and other long-term assets	2,256	2,256	3,613	3,613
Cash paid for investment	—	—	10	10
Sub-total of cash outflow from investing activities	2,256	2,256	3,623	3,623
Net cash flows from investing activities	-2,108	-2,108	-3,605	-3,605
<b>3. Cash flows from financing activities</b>				
Cash received from borrowings	3,240	3,240	1,370	1,370
Sub-total of cash inflow from financing activities	3,240	3,240	1,370	1,370
Cash paid for repayment of liabilities	3,419	3,419	1,434	1,434
Cash paid for dividend, profit distribution or interest repayment	414	414	303	303
Cash paid relating to other financing activities	5	5	59	59
Sub-total of cash outflow from financing activities	3,838	3,838	1,796	1,796
Net cash flows from financing activities	-598	-598	-426	-426

<b>4. Effect on cash and cash equivalents due to change in foreign currency exchange rate</b>	—	—	—	—
<b>5. Net increase in cash and cash equivalents</b>	<b>-1,364</b>	<b>-1,364</b>	-313	-313
Add: Balance of cash and cash equivalents at the beginning of the period	2,974	2,914	7,733	7,733
<b>6. Balance of cash and cash equivalents at the end of the period</b>	<b>1,610</b>	<b>1,550</b>	7,420	7,420

Legal representative: **Zhang Xiaogang**      Person-in-charge of accounting: **Ma Lianyong**      Head of the accounting department: **Ma Lianyong**

#### 4.4 Note

In accordance with the relevant requirements under the “Interpretations of Accounting Standards (2008)”, the safety production expenses were entered to the “surplus reserve” and therefore a retrospective adjustment was made to the safety production expenses for the first quarter of 2008. As a result, for the first quarter of 2008, the administrative expenses decreased by Rmb7 million and each of the total profit and net profit increased by Rmb7 million, respectively.

#### 4.5 Audit Report

Audit opinion: Unaudited

By Order of the Board  
**ANGANG STEEL COMPANY LIMITED**  
**Fu Jihui**  
*Executive Director and Company Secretary*

Anshan City, Liaoning Province, the PRC  
27 April 2009

As at the date of this announcement, the Board comprises the following directors:

*Executive Directors*

Zhang Xiaogang

Tang Fuping

Yang Hua

Chen Ming

Wang Chunming

*Non-executive Director*

Yu Wanyuan

*Independent Non-executive Directors*

Wu Xichun

Wang Linsen