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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)

2009 INTERIM RESULTS ANNOUNCEMENT

Important: The board of directors (the “Board”), supervisory committee (the “Supervisory Committee”) and directors, supervisors and senior management of Angang Steel Company Limited (the “Company”) confirm that there are no false representation or misleading statements contained in, or material omissions from, this announcement, and jointly and severally take responsibilities for the truthfulness, accuracy and completeness of the contents contained herein.

The Board of the Company is pleased to announce the unaudited results of the Company and subsidiaries under its control (collectively referred to as the “Group”) for the six months ended 30 June 2009 together with the comparative figures as stated herein.

For the purpose of this announcement, the following abbreviations shall have the following meanings:

“Angang Holding”	shall mean Anshan Iron and Steel Group Complex*
“ANSI”	shall mean Angang New Steel and Iron Company Limited*
“CSRC”	shall mean China Securities Regulatory Commission
“IFRSs”	shall mean the International Financial Reporting Standards
““Hong Kong Listing Rules”	shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Hong Kong Stock Exchange” shall mean The Stock Exchange of Hong Kong Limited

“PRC” shall mean the People’s Republic of China

“PRC Accounting Standards” shall mean the PRC Accounting Standards for Business Enterprises

I. COMPANY PROFILE

1. Legal Name of the Company
(in Chinese) : 鞍鋼股份有限公司
(in English) : ANGANG STEEL COMPANY LIMITED

2. Registered and Business : Production Area of Angang Steel,
Address of the Company Tie Xi District, Anshan City,
Liaoning Province,
the PRC
Postal Code : 114021
Website : <http://www.ansteel.com.cn>
E-mail : ansteel@ansteel.com.cn

3. Legal Representative : Mr. Zhang Xiaogang
of the Company

4. Secretary to the Board : Mr. Fu Jihui
of the Company
Correspondence Address : 1 Qianshan Road West, Qianshan District,
Anshan City, Liaoning Province, the PRC
Telephone : (86) 412-8419192/8417273
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E-mail : ansteel@ansteel.com.cn

5. Company's Designated PRC Newspapers for Disclosure of Information : China Securities Journal, Securities Times
- Website for Publication of Interim Report designated by CSRC : <http://www.cninfo.com.cn>
- Website for Disclosure of the Company's Information in Hong Kong : <http://www.hkex.com.hk> and <http://angang.wspr.com.hk>
- Company's Interim Report Available at : 1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC
6. Stock Exchange Listings : A shares: Shenzhen Stock Exchange
H shares: The Hong Kong Stock Exchange
7. Abbreviation of the Company's stock name and Stock Code : A shares: Angang Steel 000898
H shares: Angang Steel 0347
8. The subsidiaries under the Company's control : As at 30 June 2009, the Company controlled one subsidiary, namely Angang Steel Logistics (Wuhan) Company Limited*.

II. MAJOR FINANCIAL DATA AND INDICES (UNAUDITED)

1. Major financial data

Prepared under the IFRSs

Unit: RMB million

Items	For the six months ended 30 June	
	2009	2008
(Loss)/profit attributable to owners of the Company	(1,547)	5,992
(Loss)/earnings per share (basic) (RMB)	(0.214)	0.828
Return on net assets (weighted average)	(2.96%)	10.50%

Items	30 June 2009	31 December 2008
Total assets	95,071	94,826
Equity attributable to owners of the Company	49,972	52,971
Liabilities to assets ratio	47.44%	44.14%
Net assets per share (RMB)	6.91	7.32

Prepared under the PRC Accounting Standards

Unit: RMB million

Items	For the six months ended 30 June	
	2009	2008
Turnover	30,042	40,168
Operating profit	(1,811)	7,542
Total profit	(1,755)	7,525
Net profit	(1,563)	5,980
Net profit less extraordinary items	(1,605)	5,993
Basic earnings per share (RMB)	(0.216)	0.827
Diluted earnings per share (RMB)	(0.216)	0.827
Return on net assets (fully diluted)	(3.12%)	10.66%
Net cash flow from operating activities	1,415	6,914
Net cash flow per share from operating activities (RMB)	0.196	0.956

Items	30 June 2009	31 December 2008
Total assets	92,187	92,184
Owners' equity (or shareholders' equity)	50,112	53,108
Net assets per share (RMB)	6.93	7.34

Unit: RMB million

Extraordinary items	Amount	Note (where applicable)
Gains or losses from disposal of non-current assets	15	
Government subsidies (except for government subsidies which are closely related to the Company's ordinary business, in conformity with the national policies and continuously entitled for standard amount or quantities) attributable to gains or losses for the period	2	
Other non-operating income and expenses apart from those stated above	39	
Effect of income tax	(14)	
Total	<u>42</u>	

2. Differences between financial statements prepared in accordance with the IFRSs and the PRC Accounting Standards

Unit: RMB million

	Net profit attributable to shareholders of the Company		Owners' equity attributable to shareholders of the Company	
	In the period	In the previous period	Closing balance	Opening balance
Under the IFRSs	(1,547)	5,992	49,972	52,971
Under PRC Accounting Standards	(1,563)	5,980	50,112	53,108
Items and total amount as adjusted under the IFRSs:				
Revaluation of land use rights	2	2	(174)	(176)
Write-off of provision for safety expenses	19	15	—	—
Deferred income tax assets	(5)	(5)	34	39
Total for the differences between the PRC Accounting Standards and the IFRSs	16	12	(140)	(137)

3. Return on net assets and earnings per share for the profit in the interim period of 2009 as calculated in accordance with the “Regulations for Preparation and Reporting of Information Disclosed by Listed Companies (No. 9)” issued by CSRC (Prepared in accordance with the PRC Accounting Standards):

Profit for the reporting period	Return on net assets (%)		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	(3.12)	(2.99)	(0.216)	(0.216)
Net profit less extraordinary items attributable to ordinary shareholders of the Company	(3.20)	(3.07)	(0.222)	(0.222)

Note: Differences between the weighted average return on net assets and fully diluted return on net assets are due to the change in capital reserve arising from the change in the fair value of the Company’s available-for-sale financial assets, change in provision for reserve of exclusive expenses of safety and weighted average of net profit.

III. DIRECTOR'S REPORT

1. Business review:

Under the IFRSs, the Company recorded a loss attributable to shareholders of the Company of RMB1,547 million for the six months ended 30 June 2009, representing a decrease by 125.82% as compared with the profit of RMB5,992 million for the same period of the previous year. The basic loss per share was RMB0.214. In accordance with the PRC Accounting Standards, the Company recorded a net loss of RMB1,563 million for the six months ended 30 June 2009, representing a decrease by 126.14% as compared with the net profit of RMB5,980 million for the same period of the previous year. The basic loss per share was RMB0.216.

In the first half of 2009, in adherence to the principles for business development, namely keeping the business scale moderate and minimizing the costs, the Company adopted a series of measures in response to the global financial crisis so as to ensure the steady recovery of its production and operation.

(1) Increase in output of major products

During the first half of 2009, the Company produced 9,274,600 tonnes of iron, 9,101,700 tonnes of steel and 8,521,600 tonnes of steel products, representing an increase of 14.34%, 11.18% and 10.78%, respectively, as compared with the same period of the previous year; the Company sold 8,304,200 tonnes of steel products, representing an increase of 8.17% as compared with the same period last year and a production-to-sales ratio of steel products of 97.45%.

(2) *Significant improvement in the product quality by total quality management.*

In the first half of 2009, through the implementation of the total quality management, 25 out of 28 quality indices of the Company achieved the targets and a total of 23 quality indices were improved as compared to the same period of the previous year. Approximately 67.77% of the Company's products achieved the internationally recognized quality standards, representing an increase of 3.35 percentage points; the passing rate and finishing rate for the original variety of the key products were 98.87% and 94.15%, exceeding the targets by 0.72 percentage points and 1.43 percentage points, respectively.

(3) *Enhancement of technical innovation and independent R&D capability by implementing scientific research projects.*

In the first half of 2009, a total of 69 projects were accepted upon inspection. Technical development for the laboratory preparation and large scale trial production of oriented silicon steel were completed, and acceptances in phases were accomplished on schedule. Applications for 180 patents were accepted and a total of 145 patents were granted by the State. A total of 1,942,400 tonnes of newly developed products were produced, representing an increase of 280,700 tonnes as compared with the same period of the previous year. The percentage of new products reached 22.78%, representing an increase of 1.04 percentage points as compared with the same period of the previous year. Revenue from the sales of new products was RMB7.6 billion.

(4) *Material breakthrough in environmental protection by implementation of emission reduction measures*

During the first half of 2009, the environmental air indexes including those for sulfur dioxide, nitrogen dioxide, inhalable particulates and carbon monoxide were in compliance with the State's standards while dust-fall amount remained basically unchanged as compared with the same period of the previous year. In the first half of 2009, the passing rate of the atmospheric pollution emission reached 99.7%, representing an increase of 2.1 percentage points as compared with same period of the previous year. Solid wastes were effectively utilised and properly disposed of. The recovery rate of dangerous waste, ordinary waste and abandoned materials reached 100%. The internal utilisation rate of iron-bearing dust reached 95.3%, representing an increase of 1.8 percentage points as compared with same period of the previous year.

(5) *Proactive implementation of target cost control*

In accordance with the market conditions, the Company calculated the production costs of working processes required to ensure targeted profits, carefully verified target costs and expenses indicators of all units and departments, ratified such results as rigid target for all units through monthly budget and strictly implemented assessment and evaluation analysis system. Through target cost management, the cost reduction and efficiency improvement measures formulated by the units have achieved sound effects.

(6) *Actively adjusting the marketing policy to orderly progress with product marketing*

Affected by the global financial crisis, export and domestic steel market demand had shrunk severely. The Company has timely adjusted the marketing policy based on its expectations and estimations for future market conditions. On one hand, with the weakened export and demand for specialized steel, the Company expanded the supply of products which has a better liquidity, such as plain carbon steel and low alloy steel, to the market in order to accelerate the turnover of the capital from the customers; on the other hand, the Company stepped up development of its downstream enterprises. The Company has made timely and appropriate adjustments to prices based on accurate and precise market analysis and judgements so as to increase the confidence of the customers.

(7) *Further implementing management benchmark for performance excellence. The Company identified the shortcomings, tapped potentials and improved the indicators to resist market risks through benchmarking internally and externally*

First, the Company benchmarked the actual operation costs of Anshan and Yingkou. Second, the Company benchmarked the procedure standard cost of the same (similar) production lines in the Company. Third, it benchmarked internal procedure standard cost in production factories. Lastly, it carried out external benchmarking with advanced domestic enterprises in the PRC. Through technical innovation, benchmarking and potential exploration, the major technical and economic indicators of the Company continued to improve, nine of which have obtained the best performance as compared to all of their previous performances.

2. Products representing more than 10% of the operating revenue of the Group are as follows (in accordance with the PRC Accounting Standards):

Principal business of the Group by industry and products

Unit: RMB million

	Principal activities by industry					
	Operating revenue	Operating cost	Gross profit margin (%)	Increase/decrease in operating revenue compared with the same period last year (%)	Increase/decrease in operating cost compared with the same period last year (%)	Increase/decrease in gross profit margin as compared with the same period of the previous year (percentage points)
Steel pressing and processing	28,956	27,662	4.47	(25.16)	(0.72)	(23.51)
Including: connected transactions	1,996	1,971	1.25	(11.64)	22.65	(27.61)
Principal activities by products						
Hot rolled sheets	12,079	11,730	2.89	(6.31)	30.28	(27.27)
Cold rolled sheets	6,181	6,072	1.76	(29.21)	(3.82)	(25.93)
Including: connected transactions	1,554	1,544	0.64	(3.36)	36.40	(28.96)

Pricing principle for connected transactions	Sales prices between the Company and independent third parties
Explanation on necessity and continuity of the connected transactions	Steel production process features a strong continuity. The Company relies on Angang Holding and its subsidiaries for supply of most of raw materials. The Company also sells some of its products to Angang Holding and its subsidiaries. Therefore, it is expected that such connected transactions will continue in the future production and operation of the Company.

Note: The connected transactions for sales of products and provision of comprehensive services by the Company to Angang Holding, its controlling shareholder, and its subsidiaries amounted to RMB2,314 million during the reporting period.

Explanations:

The decrease in operating revenue and gross profit margin as compared with the same period of the previous year was primarily due to the decrease in the product prices as a result of the global financial crisis.

The increase in operating costs of hot rolled sheets and connected transactions was primarily due to the increase in sales volume.

Segmental information of principal business of the Group by geographical locations of sales

Unit: RMB million

	Operating revenue for the reporting period	Operating revenue for the same period of last year	Increase/ (decrease) in operating revenue compared with the same period last year (%)
Northeast China	10,016	13,834	(27.60)
North China	4,864	5,706	(14.76)
East China	8,114	7,846	3.42
South China	4,976	5,274	(5.65)
Central south China	789	819	(3.66)
Northwest China	292	534	(45.32)
Southwest China	221	210	5.24
Export sales	770	5,945	(87.05)
	<hr/>	<hr/>	<hr/>
Total	<u>30,042</u>	<u>40,168</u>	<u>(25.21)</u>

3. Problems and difficulties in the operation

In the first half of 2009, as affected by the global financial crisis, both domestic and overseas steel industry saw oversupply and plunging product prices. Accordingly, the Company's profit decreased significantly and as a result, the Company recorded a loss for the first half of the year. In this situation, the Company tapped its inherent potentials and strived for resumption of normal growth through measures including reasonable resource allocation and enhancement of cost control.

4. Investment of the Company

(1) External Investment

The 35th meeting of the fourth session of Board of the Company was held on 14 April 2009, at which the Proposal in Relation to the Execution of the Agreement between Longmei Holding Group* and Angang Steel Company Limited for Transfer of Equity in Heilongjiang Longmei Mining Group Co., Ltd* by the Company and Heilongjiang Longmei Mining Holding Group Co., Ltd. was approved. To ensure the Company's long-term stable coal supply, the Company acquired 1.2703% equity interests in Heilongjiang Longmei Mining Group Co., Ltd. ("Longmei Group") from Heilongjiang Longmei Mining Holding Group Co., Ltd. ("Longmei Holding Group"). As appraised by Beijing China Enterprise Appraisals Co., Ltd.*, a valuer which has been granted the PRC securities-related assets appraisal qualification, as at the valuation base date, being 30 April 2008, the appraised value of Longmei Group amounted to RMB206.91 million. Upon negotiations between the Company and Longmei Holding Group, the confirmed transfer price was RMB219.86 million. The equity acquisition was financed by the internal resources of the Company.

(2) Major Investment Projects not Funded by Proceeds and Progress thereof

Unit: RMB million

Project Name	Project Budget Amount	Project Progress	Project Proceeds
High-performance silicon steel project	2,800	88.09%	—
Total	<u>2,800</u>		

5. **No substantial change from the previous year in principal business and its structure**

6. **Substantial changes from the previous year in profitability (gross profit margin)**

Profitability (gross profit margin) of principal operations decreased as compared with the previous year, mainly due to the decrease in the prices of steel products as a result of the global financial crisis.

7. **No substantial change from the previous year in profit composition**

8. **Analysis of Financial Condition of the Group**

Prepared in accordance with IFRSs (unaudited)

(1) Items of condensed consolidated income statement and condensed consolidated statement of cash flows

Unit: RMB million

Item	For the six months ended 30 June 2009	For the six months ended 30 June 2008	Percentage of increase/ (decrease) (%)
Turnover	30,023	39,865	(24.69)
(Loss)/profit before tax	(1,734)	7,542	(122.99)
Net (loss)/profit	(1,547)	5,992	(125.82)
Net increase in cash and cash equivalents	(1,328)	(6,003)	77.88

Explanations:

- a. Decrease in each of the turnover, profit before tax and net profit as compared with the same period of the previous year were mainly due to the decrease in product prices as a result of the global financial crisis.
- b. Net increase in cash and cash equivalents increased as compared with the same period of the previous year, attributable to (i) the decrease of RMB5,702 million in net cash inflow from operating activities as a result of lower turnover and such other reasons; (ii) the decrease of RMB6,248 million in net cash outflow in investing activities as a result of acquisition and construction of fixed assets, lower expenditure of construction in progress and decreased external investment; (iii) the increase of RMB4,129 million in net cash inflow from financing activities as a result of the increase in loan and the decreased dividend distribution.

2. Items of condensed consolidated statement of financial position

Unit: RMB million

Item	As at 30 June 2009	As at 31 December 2008	Percentage of increase/ (decrease) (%)
Total assets	95,071	94,826	0.26
Owners' equity	49,972	52,971	(5.66)
Cash and cash equivalents	1,646	2,974	(44.65)
Trade receivables	2,996	3,000	(0.13)
Construction in progress	12,741	18,789	(32.19)
Trade payables	8,082	7,805	3.55

Explanations:

- a. The decrease in owners' equity was attributable to the operating loss and the distribution of cash dividends in the first half of the year;
- b. The decrease in cash and cash equivalents was due to (i) the increase in net cash inflow of RMB628 million generated from operating activities; (ii) the net cash outflow of RMB3,417 million used in investing activities as a result of acquisition and construction of fixed assets and external investment and such other reasons; (iii) the net cash inflow of RMB1,461 million generated from financing activities as a result of new loans and such other reasons.
- c. The decrease in construction in progress was mainly due to the transfer of Bayuquan facilities into fixed assets.

9. Business plan for the second half of the year

1. To further strengthen marketing, capture the market trends and improve service quality in order to increase market share of the products of the Company.
2. To continue to improve management of the Company by further promoting the program of management benchmarking for pursuing performance excellence.
3. To focus on cost reduction and efficiency improvement, actively respond to market changes and strengthen cost control.
4. To further optimize product mix in order to increase economic benefits of the Company.
5. To further enhance capabilities in technological innovation and in independent research and development by stepping up scientific research and innovation initiatives.
6. To attach a greater importance on environmental protection and further implement emission reduction measures.
7. To put greater efforts in production and operation in Bayuquan production facilities in order to improve the operating results of the Company as a whole.

10. Warning of potential loss in accumulated net profit for the period from the beginning of the year to the end of next reporting period or any material change in accumulated net profit as compared with the same period of the previous year and the reasons thereof

Results estimation	Significant decrease		
	From the beginning of the year to the end of next reporting period	The same period of the previous year	Increase/ Decrease
Estimated accumulated net profit (RMB billion)	0-4.126	8.253	Decrease by 50-100%
Basic earnings per share (RMB/share)	0-0.57	1.141	Decrease by 50-100%

Reasons: The Company's profit is expected to decrease significantly due to the significant decrease in the prices of steel products as a result of the global financial crisis.

11. Liquidity, financial resources and capital structure of the Group (prepared in accordance with IFRSs)

1. As at 30 June 2009, the Group had long-term loans (excluding loans due within one year) of RMB11,961 million, which was mainly used for supplementation of working capital and project capital. The loans are for a term of 3 to 25 years at an annual interest rate of 4.86% to 6.966%.
2. As at 30 June 2009, the Group had cash and cash equivalents of RMB1,646 million, compared with RMB2,974 million at the end of 2008.
3. As at 30 June 2009, the Group's total assets less current liabilities amounted to RMB62,072 million, as compared with RMB70,677 million at the end of 2008.

The equity attributable to owners of the Company amounted to RMB49,972 million as at 30 June 2009, as compared with RMB52,971 million at the end of 2008.

12. Pledged assets

No assets were pledged by the Group during the reporting period.

13. Commitments and contingent liabilities (in accordance with IFRSs)

As at 30 June 2009, the Group had capital commitment of RMB13,440 million, mainly comprising the construction and renovation projects which have been authorised and contracted for, and those which have been authorised but not yet contracted for.

As at 30 June 2009, the Group had no contingent liabilities.

14. Equity to liabilities ratio (in accordance with IFRSs)

The ratio of shareholders' equity to liabilities of the Group was 1.11 times as at 30 June 2009 and 1.27 times as at 31 December 2008.

15. Foreign exchange risk

The Group exports certain products and imports certain raw materials, equipment, spare parts and materials. The majority of the Group's export and import transactions are settled through import and export agencies at a fixed exchange rate and there is therefore no significant foreign exchange risk for the Group.

16. Employees

As at 30 June 2009, the Company had 30,886 employees, of whom 20,768 were production personnel, 280 were sales personnel, 2,802 were technicians, 292 were financial personnel and 1,714 were administration and managerial personnel. Among the employees of the Company, 5,596 employees held a bachelor's or higher degree, representing 18.12% of the employees; 7,342 employees held a diploma from junior college, representing 23.77% of the employees; and 14,161 employees held a diploma from special secondary schools, representing 45.84% of the employees.

The Company has adopted (i) position-based and risk-based annual remuneration packages for senior management, (ii) position-based remuneration packages with profit share incentives for new product development for technical research personnel, (iii) sales-profit-linked remuneration package for sales personnel, and (iv) position-based remuneration packages for other personnel.

In the first half of 2009, 105 counts of senior management attended trainings for, among the others, political theories and strategy management; 2,770 counts of management and technical staff attended trainings for management knowledge, computer, English, specific technology and training organised by universities and colleges; 5,966 counts of production staff attended trainings for technical skills, computer, equipment inspection and production safety security. 47 employees attended training for on-the-job studying for master's degree.

IV. EXPLANATIONS ON SIGNIFICANT MATTERS

1. Corporate governance of the Company

In strict compliance with the PRC Company Law, the PRC Securities Law, the relevant requirements of CSRC, the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, the Corporate Governance Guideline of Listed Companies and the Guidelines for the Internal Control of Listed Companies of the Shenzhen Stock Exchange, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system.

Following the implementation of the Code on Corporate Governance Practices (the “Code”) issued by the Hong Kong Stock Exchange, the Company has further improved its corporate governance pursuant to the Code. During the reporting period, the Company has complied with all provisions of the Code and most of the recommended best practices set out in the Code.

2. Proposals for proposed interim profit distribution and transfer from capital reserve to share capital of the Company

The Company will not declare any interim dividend nor transfer any surplus reserves to the share capital of the Company for the six months ended 30 June 2009.

3. Implementation of profit distribution plan

On 12 June 2009, the Company convened its 2008 annual general meeting in Anshan, at which the 2008 profit distribution plan was considered and approved. A cash dividend of RMB2.1 per 10 shares was declared based on the total issued share capital of 7,234,807,847 shares as at 31 December 2008. On 30 June 2009, the Company distributed cash dividends to the holders of its H shares. The exchange rate adopted was HK\$100 to RMB88.17, being the average of the basic exchange rates of Renminbi to Hong Kong dollar announced by the Bank of China one calendar week prior to the 2008 annual general meeting. The cash dividends actually paid to the holders of its H shares amounted to HK\$259 million. On 26 June 2009, the Company distributed cash dividends to the holders of its A Shares in the total amount of RMB1,291 million. The cash dividends for 2008 distributed by the Company amounted to RMB1,519 million in total.

4. Material litigation and arbitration

The Company was not involved in any material litigation or arbitration during the reporting period.

5. Material acquisition, sale or disposal of assets

During the reporting period, the Company has no material acquisition, sale or disposal of assets.

6. Material connected transactions of the Company in the reporting period

(1) Continuing connected transactions

During the reporting period, the Company purchased most of its raw materials, energy and services necessary for production from Angang Holding and its subsidiaries, and sold to Angang Holding and its subsidiaries some of its products. The transactions and prices were implemented in accordance with the supply of materials and services agreement entered into between the parties.

- a. Angang Holding and its subsidiaries provided the Company with the following major items:

Items	Pricing principle	Price (RMB)	Amount (RMB million)	As a
				percentage of the amount of similar transactions (%)
Iron Concentrate	Not higher than the average import price reported to the PRC customs in the preceding half-year reporting period and the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the grade of the iron concentrate which was based on the average weighted grade of the iron concentrate imported by Angang Steel in the preceding half year. For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/tonne.	888/ tonne	4,051	69.37
	Angang Holding has undertaken to provide a discount equal to 5% of the average import price reported to the PRC customs in the preceding half-year reporting period on the highest amount of the price determined pursuant to the method as mentioned above.			

Items	Pricing principle	Price	Amount	As a
		(RMB)	(RMB million)	percentage of the amount of similar transactions (%)
Pellet	Based on the average price of pellets purchased by the Company from independent third parties in the preceding half-year reporting period. For every 1 percentage point of increase or decrease in the grade of pellets, the price will be increased or decreased by RMB10/tonne.	1,013/ tonne	2,378	99.96
Sinter ore	The price of iron concentrate plus processing cost in the preceding half-year reporting period and 10% gross profit (the processing cost of which is not higher than that of similar products produced by the Company).	1,004/ tonne	1,399	100.00

Items	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)
Scrap steel	Market Price	—	145	57.20
Billets	Market Price	—	38	70.21
Subtotal	—	—	8,011	80.71
Electricity	State price	0.50/ KWh	942	37.87
Water		3.25/ tonne	37	100.00
Subtotal		—	979	38.80
Lime stone	Not higher than the selling prices quoted by any member company of Angang Holding to the independent third parties in the current month	53/ tonne	57	67.44
Lime powder		378/ tonne	367	91.51
Refractory materials		—	101	16.50
Other ancillary materials		—	30	1.46
Spare parts and tools		—	183	12.84
Subtotal	—	—	738	16.19
Total	—	—	9,728	57.19

- b. Angang Holding and its subsidiaries provided the Company with the following major services:

Items	Pricing principle	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
Railway transportation	State price	315	69.56
Road transportation	Market Price	134	71.03
Agency services: — for import of raw materials, equipment, components and auxiliary materials — for product export — for domestic sales of product	Commission not higher than 1.5% (not to exceed the commission charged by major PRC import and export companies)	119	100.00
Equipment examination, repair and maintenance	Market Price	451	83.59
Design and engineering		1,062	33.11
Education facilities, occupational technical training, on-job training, translation		0.5	14.10
Employee transportation		2	49.75

Items	Pricing principle	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
Business reception and meeting		1	61.66
Greening	Cost of labour, materials and administration are paid according to their market price	6	99.73
Security services		24	95.77
Newspaper and other publications	State price	0.5	29.83
Telecommunication and ERP, information system	State price or the total of depreciation and administrative fee	13	78.46
Environmental safety monitoring	State price	1	100.00
Supply of heating	State price	-	-
Production assistance and maintenance	Cost of labour, materials and administration are paid according to their market price	511	88.97
Welfare assistance and maintenance	Cost of labour, materials and administration are paid according to their market price	75	93.61

Items	Pricing principle	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
Materials processing service	Processing cost plus a gross profit not higher than 5%		
Total	—	2,715	51.94
Interest on settlement funds	State price	4	74.26
Interest on Loans and discounted	State price	123	15.46

Note: In which, for the six months ended 30 June 2009, the steel products provided by Angang International Trading Corporation as a domestic and export sales agency amounted to 4,030,000 and 170,000 tonnes respectively.

- c. The Company provided Angang Holding and its subsidiaries with the following major items:

Items	Pricing principle	Price (RMB)	Amount (RMB million)	As a
				percentage of the amount of similar transactions (%)
Cold rolled sheets	Selling price between the Company (and/or its subsidiaries) and independent third parties in the current month; in the absence of such selling price, the market price.	3,415/tonne	622	8.67
Heavy plates		3,057/tonne	46	1.79
Wire rods		2,914/tonne	141	15.42
Heavy section		4,945/tonne	2.5	0.13
Hot rolled strips	If the market price does not exist, the price is based on the principle of	2,898/tonne	932	7.72
Medium plates		2,930/tonne	30	2.30
Galvanized steel	the cost plus a reasonable profit, while the reasonable	3,533/tonne	100	5.39
Colour coated sheets		profit rate is not higher than the	4,654/tonne	1.5
Seamless steel pipes	average gross profit margin of related products provided by	3,295/tonne	32	3.55
Molten iron		2,540/tonne	12	77.82
Coke	relevant member company.	882/tonne	35	100.00
Chemical by-products		—	14	2.85

Items	Pricing principle	Price	Amount	As a
		(RMB)	(RMB million)	percentage of the amount of similar transactions (%)
Sub-total		—	1,968	6.71
Scrap steel	Market price	—	53	92.74
Abandoned materials	Market price	—	23	86.95
Minus sieve powder	Base price of sinter ore for the current period minus the cost of sintering process of Angang Holding	976.50/tonne	1	100.00
Sub-total		—	77	91.01
Total		—	2,045	6.95

- d. The Company provided Angang Holding and its subsidiaries with the following comprehensive services:

Items	Pricing principle	Price (RMB)	Amount (RMB million)	As a
				percentage of the amount of similar transactions (%)
Fresh water	State price	2.93/tonne	20	96.85
Recycled water	Production cost plus a profit margin of 5%	0.74/tonne	11	99.98
Soft water	Production cost plus a profit margin of 5%	2.84/tonne	0.1	100.00
Gas	Production cost plus a profit margin of 5%	48.65/GJ	171	84.02
Blast furnace gas	Production cost plus a profit margin of 5%	4.00/GJ	21	100.00
Steam	Production cost plus a profit margin of 5%	39.50/GJ	23	99.00
Nitrogen	Production cost plus a profit margin of 5%	113.83/1,000M ³	0.3	6.06
Oxygen	Production cost plus a profit margin of 5%	470.96/1,000M ³	1	10.97
Argon	Production cost plus a profit margin of 5%	578.49/1,000M ³	0.2	9.43
Compressed air	Production cost plus a profit margin of 5%	89.50/1,000M ³	1	100.00
Residual warm water	Production cost plus a profit margin of 5%	7.54/GJ	18	89.02
Product testing service	Market Price	—	2	83.09
Transportation service	Market Price	—	0.4	100.00
Total	—	—	269	42.55

- e. The Company provided the jointly-controlled entities and associates with the following items:

Items	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
Cold hard coils	676	10.97
Hot rolled coils	623	5.16
Galvanized steel sheets	2	0.11

The above transactions of the Company were all settled in cash.

(2) *Connected transactions arising from transfer of assets and investment*

The 33rd meeting of the 4th session of the Board was held by the Company on 5 January 2009. The Board approved the Proposal for Acquisition of the assets relating to the construction in process of electroslag remelting project by the Company from Anshan Iron and Steel Group Complex. To improve the production knowhows of slabs for high quality ultra-thick steel plates and the quality of new products, the Company proposed to acquire the assets relating to the construction in process of electroslag remelting project from Angang Holding. As appraised by Beijing Yue Hua De Wei Assets Valuation Company Limited, a valuer which has been granted securities-related asset appraisal qualification, the appraised value of such assets relating to the electroslag remelting was RMB85 million, and the Company took such appraised value as acquisition consideration and financed the acquisition with its own fund.

7. Claims and obligations between related parties and the Company

As at 30 June 2009, the Company's bank loan of RMB1,000 million was secured by Angang Holding.

8. Material contracts and their performance

- (1) The Company did not enter into custody, contracting or lease arrangement in respect of the assets of other companies nor did other companies enter into any custody, contracting or lease arrangement in respect of the assets of the Company during the reporting period;
- (2) There was no material guarantee which involved the Company during the reporting period;
- (3) The Company did not entrust any party with the management of any of its assets during the reporting period;
- (4) Save as disclosed in this announcement, the Company did not enter into any other material contracts during the reporting period;
- (5) The Company did not entrust any party for financial management during the reporting period.

9. Opinions of independent Directors in relation to cumulative and current external guarantees and capital occupied by the controlling shareholders and other related parties:

In accordance with the principles of the “Notice in Relation to Certain Issues Concerning the Regulation of Funds Transfer Between Listed Companies and Connected Parties, and External Guarantees Granted by Listed Companies” [2003] No.56 (the “Notice”) issued by CSRC, we have faithfully and carefully reviewed and finalized the external guarantee of Angang Steel Company Limited (hereafter as the “Company”) and capital transactions between the Company and its related parties, and hereby make the following explanations:

- (1) During the reporting period, the Company did not provide any external guarantee to its controlling shareholders and other related parties, any legal person entities or individuals.
- (2) During the reporting period, none of the controlling shareholders or other related parties of the Company had taken up the Company’s capital.

- (3) In strict compliance with the relevant regulations, the Company has clearly specified the relevant procedures and requirements concerning the external guarantee in the Articles of Association of the Company. The Company also formulated Administrative Procedures of External Guarantee so as to strengthen the management of the external guarantee. The regulations of the Articles of Association of the Company and Administrative Procedures of External Guarantee are in compliance with the requirements of the relevant domestic and foreign regulations.

10. Undertakings of the Controlling Shareholder

- (1) Angang Holding, the controlling shareholder of the Company, made the minimum undertakings required under the relevant laws, rules and regulations, during the period of the Non-tradable Shares Reform.

In addition to the required minimum undertakings, Angang Holding has made the following special undertakings:

- a. The shares of the Company held by Angang Holding following the completion of the state-owned share reform plan will be subject to a trading moratorium of 36 months from the listing date of such shares except for the shares to be transferred to any holders of tradable ordinary domestic shares upon his/her/its exercise of the warrants.
- b. For new circulating A Shares of the Company issued to Angang Holding for the acquisition of the entire equity interest in ANSI subject to the approval of the general meeting and regulatory authorities, it is undertaken by Angang Holding that such shares will also be subject to a trading moratorium of 36 months from the day on which the shares are issued to Angang Holding.
- c. Angang Holding will maintain a minimum of 60% shareholding in the Company following the completion of the acquisition of the entire equity interest in ANSI till 31 December 2010.
- d. Angang Holding assures that it will compensate other shareholders for any loss arising from its failure to fulfill the whole or part of such undertakings.

- e. Angang Holding will complete the formalities for the deposit of the relevant shares of the Company held by it as compensation for implementation of the consideration arrangement with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch to ensure fulfillment of its obligations under the consideration arrangement.
- f. Angang Holding will be responsible for all the costs arising from the implementation of the Non-tradable Shares Reform.

Angang Holding further states that:

“Angang Holding will perform its undertakings on a good faith basis and accept the legal liabilities thereunder. Unless the transferee agrees and is eligible to make the undertakings, Angang Holding will not transfer any of such shares held.”

During the reporting period, there is no breach of such undertakings made by Angang Holding.

- (2) Angang Holding, the controlling shareholder of the Company, made an undertaking to the Company on 19 November 2007 that, pursuant to the Supply of Materials and Services Agreement (2008-2009) entered into between the Company and Angang Holding on 24 October 2007, Angang Holding would provide a discount for the iron concentrate purchased by the Company from it, based on the maximum price as determined under the pricing formula set out in the Supply of Materials and Services Agreement (2008-2009), being 5% of the average import price of iron concentrate reported to the PRC customs for the previous six months.
- (3) On 3 December 2008, 526,795,621 shares in the Company held by Angang Holding were released from trading moratorium in accordance with the Company’s State-owned Share Reform Plan, representing 7.28% of total shares of the Company. According to the shareholding purpose and divestment plan for shares released from trading moratorium of Angang Holding, Angang Holding has no plan to sell, within six months of the release, any such shares which are no longer subject to trading moratorium.

During the reporting period, there was no breach of such undertakings by the undertaker.

11. Purchase, sale or redemption of the Company's listed securities

During the six months ended 30 June 2009, there was no re-purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries.

12. Securities transactions of Directors

The Board has adopted the relevant code for securities transactions by directors in compliance with the Hong Kong Listing Rules. In the special enquiries made by the Company with each of the directors, they have confirmed that they have complied with the standards set out in Appendix 10 to the Hong Kong Listing Rules.

13. Independent non-executive directors

During the reporting period, the Board of the Company has been in compliance with Rule 3.10(1) of the Hong Kong Listing Rules, which requires a company to maintain at least three independent non-executive directors, and with Rule 3.10(2) of the Hong Kong Listing Rules, which requires one of those independent non-executive directors to possess professional qualifications or to be specialized in accounting or relevant financial management.

14. Audit committee

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the of Hong Kong Listing Rules.

The Audit Committee and the management personnel have reviewed the accounting standards, principles and methods adopted by the Company, and considered matters regarding auditing, internal control and financial reporting, including the unaudited interim report for the six months ended 30 June 2009.

15. Shareholding in other listed companies

Unit: RMB million

Stock Code	Stock abbreviation	Initial investment amount	Shareholding in that company (%)	Book value at the end of the period	(Loss)/profit during the reporting period	Change in equity of holders during the reporting period
600961	Zhuzhou Smelter Group (株冶集團)	81	1.9	135	0	67

V. INTERIM FINANCIAL RESULTS (UNAUDITED)

A. Prepared in accordance with International Financial Reporting Standards

Condensed consolidated income statement

For the six months ended 30 June 2009

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2009	2008
		RMB million	RMB million
		(unaudited)	(unaudited)
Turnover	3	30,023	39,865
Cost of sales		(30,239)	(29,796)
Sales related taxes		(72)	(525)
Gross (loss)/profit		(288)	9,544
Other operating profit/(loss), net		81	(63)
Distribution and other			
operating expenses		(434)	(845)
Administrative expenses		(736)	(828)
(Loss)/profit from operations		(1,377)	7,808
Finance costs		(343)	(356)
Share of profits less			
losses of jointly controlled entities		2	88
Share of profits less			
losses of associates		(16)	2
(Loss)/profit before tax	4	(1,734)	7,542
Income tax credit/(expense)	5	187	(1,550)
(Loss)/profit for the period			
attributable to owners			
of the Company		(1,547)	5,992
(Loss)/earnings per share	7		
Basic		RMB(0.214)	RMB0.828

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2009

(Expressed in Renminbi)

	Six months ended 30 June	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
(Loss)/profit for the period	(1,547)	5,992
Other comprehensive income for the period, net of tax		
Fair value change on other investments	<u>67</u>	<u>(135)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>(1,480)</u>	<u>5,857</u>

Condensed consolidated statement of financial position at 30 June 2009

(Expressed in Renminbi)

		At 30 June 2009	At 31 December 2008
	<i>Note</i>	<i>RMB million</i> (unaudited)	<i>RMB million</i> (audited) (restated)
Non-current assets			
Property, plant and equipment		49,853	43,256
Intangible assets		15	18
Construction in progress	8	12,741	18,789
Lease prepayments		6,492	6,563
Interest in jointly controlled entities		866	864
Interest in associates		1,337	1,388
Other investments		365	55
Deferred tax assets		1,261	1,093
		<hr/> 72,930	<hr/> 72,026
Current assets			
Inventories		9,117	10,372
Amount due from ultimate parent	14	12	97
Amounts due from fellow subsidiaries	14	4,344	2,576
Amounts due from jointly controlled entities	14	101	—
Trade receivables	9	2,996	3,000
Prepayments, deposits and other receivables		2,941	2,796
Current tax assets		984	985
Cash and cash equivalents	10	1,646	2,974
		<hr/> 22,141	<hr/> 22,800

Current liabilities

Trade payables	11	8,082	7,805
Amount due to ultimate parent	14	18	11
Amounts due to fellow subsidiaries	14	1,946	2,087
Amounts due to jointly controlled entities	14	173	25
Amounts due to associates	14	151	42
Other payables		5,476	5,578
Current portion of bank loans	12	17,153	8,601
		<u>32,999</u>	<u>24,149</u>
Net current liabilities		<u>(10,858)</u>	<u>(1,349)</u>
Total assets less current liabilities		<u>62,072</u>	<u>70,677</u>

Non-current liabilities

Bank loans	12	11,961	17,565
Provisions		102	102
Deferred income		37	39
		<u>12,100</u>	<u>17,706</u>
NET ASSETS		<u><u>49,972</u></u>	<u><u>52,971</u></u>

Capital and reserves

Share capital		7,235	7,235
Share premium		31,414	31,414
Reserves		3,153	3,086
Retained profits		8,170	11,236
		<u>49,972</u>	<u>52,971</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u><u>49,972</u></u>	<u><u>52,971</u></u>

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2009

(Expressed in Renminbi)

	Note	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained profits RMB million	Total RMB million
At 1 January 2008						
— as previously stated		7,235	31,414	2,957	12,521	54,127
— transfer of reserve (note)		—	—	11	(11)	—
— transfer of reserve (note)		—	—	(11)	11	—
— as restated		7,235	31,414	2,957	12,521	54,127
Total comprehensive						
income for the period		—	—	(135)	5,992	5,857
Final dividends — 2007	6	—	—	—	(3,979)	(3,979)
At 30 June 2008		<u>7,235</u>	<u>31,414</u>	<u>2,822</u>	<u>14,534</u>	<u>56,005</u>
At 1 January 2009						
— as previously stated		7,235	31,414	3,107	11,215	52,971
— transfer of reserve (note)		—	—	(21)	21	—
— as restated		7,235	31,414	3,086	11,236	52,971
Total comprehensive						
income for the period		—	—	67	(1,547)	(1,480)
Final dividends — 2008	6	—	—	—	(1,519)	(1,519)
At 30 June 2009		<u>7,235</u>	<u>31,414</u>	<u>3,153</u>	<u>8,170</u>	<u>49,972</u>

Note:

In 2006, according to the document (Cai Qi* [2006] No. 478), entities involved in mining, construction, land transport and/or production of dangerous goods are required to accrue production safety expenses to the relevant period's income statement at fixed rates on production volume or turnover. In 2008, according to the requirements of the document (Cai Hui Han [2008] No. 60) and "Interpretation of Accounting Standards for Business Enterprises (2008)", production safety expenses are changed to recognise in the "Reserve fund — specified fund" retrospectively. Accordingly, the retained earnings transferred to reserve at the beginning of 2008.

In 2009, according to the requirements of the document (Cai Hui [2009] No.8), production safety expenses are changed to recognise as cost of related products or gain or loss for the period and special reserve retrospectively. As such, the special reserve transferred to retained earnings at the beginning of 2008 and 2009.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2009

(Expressed in Renminbi)

	Six months ended 30 June	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Net cash generated from operating activities	628	6,330
Net cash used in investing activities	(3,417)	(9,665)
Net cash generated from/(used in) financing activities	1,461	(2,668)
Net (decrease)/increase in cash and cash equivalents	(1,328)	(6,003)
Cash and cash equivalents at 1 January	2,974	7,733
Cash and cash equivalents at 30 June	1,646	1,730

Notes

For the six months ended 30 June 2009

(Expressed in Renminbi)

1. Basis of preparation

The interim financial report is unaudited but has been reviewed by the Audit Committee of Angang Steel Company Limited (the “Company”).

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiary (the “Group”) since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the IASB. IFRSs includes all applicable International Financial Reporting Standards (“IFRS”), IAS and related interpretations.

In the current period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

(a) Presentation of Financial Statements

IAS 1 (Revised) “Presentation of Financial Statements” affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. These presentation requirements have been applied retrospectively in the condensed financial statements.

(b) Operating Segments

IFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, IAS 14 “Segment Reporting” required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s ‘system of internal financial reporting to key management personnel’ serving as the starting point for the identification of such segments. IFRS 8 results in a redesignation of the Group’s reportable segments, but has had no impact on the reported results or financial position of the Group. IFRS 8 has been applied retrospectively.

The segment accounting policies under IFRS 8 are stated in note 2.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Group’s annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group’s annual financial statements for the year ended 31 December 2008 are available from the Company’s registered office. The independent auditor has expressed an unqualified opinion on those financial statements in their report dated 14 April 2009.

2. Segment information

The Group has operated a single reportable segment for the production and sales of steel products.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, other intangible assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

RMB million
(unaudited)

Six months ended 30 June 2009

Revenue from external customers	30,023
Segment loss	(1,547)

At 30 June 2009

Segment assets	88,988
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Six months ended 30 June 2008

Revenue from external customers	39,865
Segment profit	5,991

At 31 December 2008

Segment assets	91,005
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Six months ended 30 June

2009	2008
<i>RMB million</i>	<i>RMB million</i>
(unaudited)	(unaudited)

Reconciliation of segment profit or loss:

Total profit or loss of reportable segments	(1,547)	5,991
Unallocated amounts:		
Dividend income	<u>—</u>	<u>1</u>
Consolidated (loss)/profit for the period	<u>(1,547)</u>	<u>5,992</u>

3. Turnover

Turnover represents the aggregate of the invoiced value of goods sold, after allowances for goods returned, trade discounts and value added tax of steel products.

4. (Loss)/profit before tax

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Interest and other borrowing costs	791	692
Less: Amount capitalised as construction in progress	(450)	(339)
Net interest expenses	341	353
Interest income	(4)	(26)
Dividend income from other investments	—	(1)
Amortisation of lease prepayments and intangible assets	74	68
Depreciation	2,926	2,249
(Gain)/loss on disposals of property, plant and equipment	(15)	13
Impairment losses of property, plant and equipment	—	30
Net allowance for inventories	612	38
Research and development costs	3	12

5. Income tax (credit)/expense

Income tax (credit)/expense in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Current tax expense — PRC income tax	3	1,617
Deferred tax income	(190)	(67)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	(187)	1,550

The provision for PRC income tax is based on a statutory rate of 25% (six months ended 30 June 2008: 25%) of the estimated assessable profits of the Group entities for the period as determined in accordance with relevant income tax rules and regulations in the PRC.

6. Dividends

	Six months ended 30 June	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Final dividends in respect of the financial year ended 31 December 2008, approved and paid during the following interim period, of RMB21 cents per share (year ended 31 December 2007 approved and paid: RMB55 cents per share)	<u> </u>	<u> </u>
	1,519	3,979

The final dividends attributable to A share shareholders and H share shareholders amounting to RMB1,291 million (six months ended 30 June 2008: RMB3,382 million) and RMB228 million (six months ended 30 June 2008: RMB597 million) were paid on 26 June 2009 and 30 June 2009 respectively.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: RMBNil).

7. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the period of RMB1,547 million (six months ended 30 June 2008: profit attributable to owners of the Company for the period of RMB5,992 million) and the weighted average number of shares of 7,235 million in issue during the six months ended 30 June 2009 (six months ended 30 June 2008: 7,235 million).

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share are presented as the Company did not have any potential equity shares in existence during the six months ended as at 30 June 2008 and 2009.

8. Construction in progress

The acquisitions and transfer of items of construction in progress during the six months ended 30 June 2008 and 2009 are as follows:

	Six months ended 30 June	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Additions	3,484	8,004
Transfer to property, plant and equipment	(9,532)	(3,237)

9. Trade receivables

	At 30 June 2009 <i>RMB million</i> (unaudited)	At 31 December 2008 <i>RMB million</i> (audited)
Accounts receivable	456	417
Bills receivable	2,540	2,583
	<u>2,996</u>	<u>3,000</u>

The ageing analysis of trade receivables is as follows:

	At 30 June 2009 <i>RMB million</i> (unaudited)	At 31 December 2008 <i>RMB million</i> (audited)
Less than 3 months	2,534	2,386
More than 3 months but less than 12 months	458	610
More than 1 year	4	4
	<u>2,996</u>	<u>3,000</u>

The Group requests customers to pay cash or settle by bills in full prior to delivery of goods. Subject to negotiation, credit term of one to four months is only available for certain major customers with well-established trading records.

10. Cash and cash equivalents

Cash and cash equivalents represented cash at bank and in hand.

As at 30 June 2009, a deposit of RMB1,541 million (31 December 2008: RMB2,878 million) was placed by the Group in Angang Group Financial Company Limited (“Angang Finance”), an associate and a fellow subsidiary of the Group.

11. Trade payables

	At 30 June 2009 <i>RMB million</i> (unaudited)	At 31 December 2008 <i>RMB million</i> (audited)
Accounts payable	3,596	3,220
Bills payable	4,486	4,585
	<u>8,082</u>	<u>7,805</u>

The ageing analysis of trade payables is as follows:

	At 30 June 2009 <i>RMB million</i> (unaudited)	At 31 December 2008 <i>RMB million</i> (audited)
Due on demand	1,075	751
Due within 3 months	5,405	7,054
Due after 3 months but within 6 months	1,602	—
	<u>8,082</u>	<u>7,805</u>

12. Bank loans

	At 30 June 2009 <i>RMB million</i> (unaudited)	At 31 December 2008 <i>RMB million</i> (audited)
Bank loans	29,114	26,166
Less: bank loans due within one year classified as current liabilities	(17,153)	(8,601)
	<u>11,961</u>	<u>17,565</u>

Among the bank loans of the Group as at 30 June 2009, RMB1,000 million (31 December 2008: RMB1,200 million) were guaranteed by Anshan Iron and Steel Group Complex (“Angang Holding”), the ultimate parent of the Company.

As at 30 June 2009, loans from Angang Finance amounted to RMB9,000 million (31 December 2008: RMB3,100 million).

13. Commitments

The Group had capital commitments outstanding as at 30 June 2009 not provided for as follows:

	At 30 June 2009 <i>RMB million</i> (unaudited)	At 31 December 2008 <i>RMB million</i> (audited)
Authorised and contracted for:		
— Construction projects of production lines	3,056	4,867
— Investment in an associate	432	915
Authorised but not contracted for:		
— Construction projects of production lines	6,831	—
— Improvement projects of production lines	3,121	—
	<u>13,440</u>	<u>5,782</u>

14. Related party transactions

The following is a summary of significant transactions carried out between the Group and Angang Holding and its subsidiaries other than the Group (collectively report to as “Angang Group”), the jointly controlled entities and associates during the period.

(A) Significant transactions and balances with Angang Group

- (i) Significant transactions which the Group conducts with Angang Group in the normal course of business are as follows:

		Six months ended 30 June	
		2009	2008
	<i>Note</i>	<i>RMB million</i>	<i>RMB million</i>
		(unaudited)	(unaudited)
Sales of finished goods (before deducting sales related taxes)	(a)	1,968	2,332
Sales of scrap materials and minus sieve powder (before deducting sales related taxes)	(a)	77	223
Fee received for comprehensive services provided	(b)	269	234
Sales of assets	(c)	—	4
Purchase of raw materials	(d)	8,011	8,640
Purchase of ancillary materials and spare parts	(e)	738	1,025
Utility supplies	(f)	979	798
Fees paid for other support services	(g)	2,715	4,768
Purchase of assets	(h)	85	1,289
Interest received	(i)	4	12
Interest paid	(i)	123	95

Notes:

- (a) *The Group sold finished products and returned scrap materials to Angang Group mainly at selling prices based on the average prices charged to independent customers or market prices. Newly developed finished products for Angang Group were set at market prices, or production cost plus reasonable profit margin if no market prices were available.*

The Group sold minus sieve powder to Angang Group at prices for sinter ore less the costs of producing the same by Angang Group.

- (b) *The Group provided comprehensive services, such as gas, electricity, steam and transportation, to Angang Group at applicable State prices, production cost plus 5%, or market prices.*
- (c) *The Group sold certain assets to Angang Group at selling prices based on market value.*
- (d) *The Group purchased its principal raw material, from Angang Group at prices determined and modified on a semi-annual basis. The purchase price is mainly no higher than the average prices quoted to the Group for importing principal raw materials of similar quality plus freight charges and price adjustments for the quality or the average purchase prices charged by independent suppliers and price adjustments of the quality or raw materials price plus 10% mark up of the last semi-annual processing costs or market prices.*
- (e) *The Group purchased from Angang Group ancillary materials in the form of steel products and spare parts at selling prices no higher than the average prices of such materials charged by Angang Group to independent customers for the proceeding month.*
- (f) *The Group purchased electricity from Angang Group mainly at State prices.*
- (g) *Angang Group provided certain supporting services to the Group. These services include railway and road transportation services; agency services for import of raw materials, equipment, spare parts and ancillary materials; agency services for domestic sales and export of products; equipment examination, repair and maintenance; design and engineering services; construction project agency and management services and other employees' supporting services. Service fees were charged at applicable State prices, market prices, no higher than 1.5% of commission, depreciation and repair and maintenance, labour cost, material cost, management fee, no higher than 5% mark up of processing costs.*

- (h) *The Group has purchased certain property, plant and equipment from Angang Group at prices based on the market price.*
- (i) *Angang Group provided financial services in the form of deposit taking, settlement, borrowing and discounting services at State prices.*

As at 30 June 2009, the Group placed deposit with Angang Finance amounted to RMB1,541 million (31 December 2008: RMB2,878 million) and the loans from Angang Finance amounted to RMB9,000 million (31 December 2008: RMB3,100 million).

(ii) Guarantee of bank loans

As at 30 June 2009, certain bank loans amounted to RMB1,000 million (31 December 2008: RMB1,200 million) were guaranteed by Angang Holding.

(iii) Amount due from/to ultimate parent

Amount due from/to ultimate parent mainly represents fee receivables for utilities and services provided and fees payable for support services.

The amount due from/to ultimate parent is unsecured, interest free and has no fixed terms of repayment.

(iv) Amounts due from/to fellow subsidiaries

Amounts due from/to fellow subsidiaries mainly represent prepayments and amounts payable for the purchase of raw materials and other services. Advances are received by the Group in respect of sales of finished goods.

The amounts due from/to fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(v) Supply of Materials and Services Agreement

The Company entered into a Supply of Materials and Services Agreement 2008/09 (“Supply Agreement”) with Angang Holding on 24 October 2007, which is effective on 1 January 2008 for 2 years.

(B) Significant transactions and balances with other related parties

- (1) Sales of finished goods to ANSC - TKS Galvanizing Co., Ltd. (“ANSC-TKS”) by the Group

The Group sold finished products to ANSC - TKS amounting to RMB548 million for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB1,055 million) for further processing.

- (2) Sales of finished goods to Changchun FAM Steel Processing and Distribution Company Limited (“Changchun FAM”) by the Group

The Group sold finished products to Changchun FAM amounting to RMB34 million for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB52 million) for further processing.

- (3) Sales of finished goods to TKAS (Changchun) Steel Service Center Ltd. (“TKAS - SSC”) by the Group

The Group sold finished products to TKAS - SSC amounting to RMB125 million for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB7 million) for further processing.

- (4) Sales of finished goods to TKAS (Changchun) Tailored Blanks Ltd. (“TKAS”) by the Group

The Group sold finished products to TKAS amounting to RMB1 million for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB1 million) for further processing.

- (5) Sales of finished goods to Tianjin Angang Tian Tie Cold Rolled Sheets Company Limited (“Tianjin Tiantie”) by the Group

The Group sold finished products to Tianjin Tiantie amounting to RMB593 million for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB Nil) for further processing.

The transactions with related parties above were under normal business terms or relative agreements.

(6) Amounts due from/to jointly controlled entities and associates

Amounts due from/to jointly controlled entities and associates mainly represent the amounts receivables/deposits received by the Group in respect of sales of finished goods.

The amounts due from/to jointly controlled entities and associates are unsecured, interest free and have no fixed terms of repayment.

(7) Transactions with key management personnel

Remuneration for key management personnel (including amounts paid to the Company's directors and supervisors) is as follows:

	Six months ended 30 June	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Directors' and supervisors' fees	—	—
Salaries, allowance and other benefits in kind	0.80	1.73
Retirement scheme contributions	0.13	0.29
	0.93	2.02

(C) **Transactions with other state-controlled entities in the PRC**

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled by the People's Republic of China government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those transactions as disclosed above, the Group conducts certain business activities with other state-controlled entities which include but are not limited to the following:

- Sales and purchases of goods, property and other assets; and
- Depositing and borrowing money.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

B. Interim Financial Results prepared in accordance with PRC Accounting Rules and Regulations

Consolidated Balance Sheet (unaudited)

As at 30 June 2009

Prepared by : Angang Steel Company Limited

Monetary unit: RMB million

	30 June 2009	31 December 2008
Assets		
Current assets		
Cash at banks and on hand	1,646	2,974
Trading financial assets		
Bills receivable	2,540	2,583
Accounts receivable	825	1,235
Prepayments	4,914	2,731
Interest receivable		
Other receivables	17	78
Inventories	9,117	10,372
	<hr/>	<hr/>
Total current assets	19,059	19,973
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

Non-current assets

Available-for-sale financial assets	135	45
Long-term equity investments	2,433	2,262
Investment real estate		
Fixed assets	49,850	43,252
Construction in progress	10,098	12,547
Construction material	2,643	6,242
Intangible assets	6,684	6,761
Deferred tax assets	1,285	1,102
Other non-current assets		
	<hr/>	<hr/>
Total non-current assets	73,128	72,211
	<hr/>	<hr/>
Total assets	92,187	92,184
	<hr/>	<hr/>

Liabilities and shareholders' equity**Current liabilities**

Short-term loans	11,700	7,570
Bills payable	4,486	4,585
Accounts payable	3,667	3,427
Advances from customers	4,403	3,629
Employee benefits payable	315	329
Taxes payable	(3,030)	(2,771)
Other payables	2,924	3,523
Non-current liabilities due within one year	5,453	1,031
	<hr/>	<hr/>
Total current liabilities	29,918	21,323
	<hr/>	<hr/>

Non-current liabilities

Long-term loans	11,961	17,565
Deferred tax liabilities	57	47
Other non-current liabilities	139	141
	<hr/>	<hr/>
Total non-current liabilities	12,157	17,753
	<hr/>	<hr/>
Total liabilities	42,075	39,076
	<hr/>	<hr/>

Shareholders' equity		
Share capital	7,235	7,235
Capital reserve	31,490	31,423
Special reserve	40	21
Surplus reserves	3,280	3,280
Undistributed profit	8,067	11,149
Differences from translation of foreign currency		
	_____	_____
Subtotal of Shareholders' equity attributable to parent company	50,112	53,108
Minority interest		
	_____	_____
Total shareholders' equity	50,112	53,108
	-----	-----
Total liabilities and shareholders' equity	92,187	92,184
	=====	=====

Consolidated Income Statement (unaudited)

For the period ended 30 June 2009

Prepared by : Angang Steel Company Limited

Monetary unit: RMB million

Items	For the period ended 30 June	
	2009	2008
1. Operating income	30,042	40,168
including: Operating income		
from main business	30,042	40,168
2. Operating costs	31,839	32,717
including: Operating cost for		
main business	28,982	29,346
Business tax and surcharges	72	525
Selling expenses	434	845
Administrative expenses	1,418	1,596
Financial expenses	321	337
Impairment losses on assets	612	68
Add: gains/losses from		
fair value variation		
Investment income	(14)	91
Including: Income from investment		
in jointly controlled		
enterprises and associates	(14)	90
3. Operating profit	(1,811)	7,542
Add: Non-operating income	69	14
Less: Non-operating expenses	13	31
Including: Loss from non-current		
assets disposal	13	25
4. Profit before income tax	(1,755)	7,525
Less: Income tax expense	(192)	1,545

5. Net profit for the year	(1,563)	5,980
including: net profit of acquiree realized before acquiring day in combination under same control		
Net profit attributable to shareholder of parent company	(1,563)	5,980
Gains/losses attributable to minority shareholder		
6. Earning per share		
(1) basic earning per share	(0.216)	0.827
(2) diluted earning per share	(0.216)	0.827
7. Other comprehensive income	67	(135)
8. Total comprehensive income	(1,496)	5,845
Share of total comprehensive income attributable to shareholder of parent company	(1,496)	5,845
Share of total comprehensive income attributable to minority interest		

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

Anshan City, Liaoning Province, the PRC
17 August 2009

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

<i>Executive Directors</i>	<i>Independent Non-executive Directors</i>
Zhang Xiaogang	Li Shijun
Yang Hua	Ma Guoqiang
Chen Ming	Liu Wei
Yu Wanyuan	
Fu Jihui	

* *For identification purposes only*