

Important: The Board confirms that there are no false representation or misleading statements contained in, or material omissions from, this report. The Directors severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents of this announcement.

The board of directors (the "Board") of Angang New Steel Company Limited (the "Company" or the "Parent") is pleased to announce the unaudited results of the Company and its jointly controlled entities (collectively referred to as the "Group") for the six months ended 30 June 2005 together with the comparative figures as stated herein.

I. COMPANY PROFILE

1. Legal Name of the Company
(in Chinese): 鞍鋼新軋鋼股份有限公司
(in English): Angang New Steel Company Limited
2. Registered and Business Address of the Company: 396 Nan Zhong Hua Lu, Tiedong District, Anshan City, Liaoning Province, the People's Republic of China (the "PRC")
Postal Code: 114003
Company's Internet Website: <http://www.ansc.com.cn>
E-mail Address: fujihui@ansc.com.cn
3. Legal Representative: Mr. Liu Jie
4. Company Secretary: Mr. Fu Jihui
Correspondence Address: 396 Nan Zhong Hua Lu, Tiedong District, Anshan City, Liaoning Province, the PRC
Telephone: (86) 412-6334293 / 6334292
Fax: (86) 412-6727772
E-mail Address: fujihui@ansc.com.cn
5. Company's Designated PRC Newspapers for Disclosure of Information: China Securities Journal, Securities Times
Company's Designated Hong Kong Newspapers for Disclosure of Information: Hong Kong Economic Times, The Standard
CSRC's Designated Website for Disclosure of Information: <http://www.cninfo.com.cn>
Company's Interim Report Available at: Secretary Office of the Board of the Company
396 Nan Zhong Hua Lu, Tiedong District, Anshan City, Liaoning Province, the PRC

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| 6. | Stock Exchange Listings: | A Shares: Shenzhen Stock Exchange
H Shares: The Stock Exchange of Hong Kong Limited
(the "Stock Exchange") |
| 7. | Abbreviation of the Company's
Shares and Stock Code: | A Shares: Angang New Steel 000898
H Shares: Angang New Steel 0347 |
| 8. | Abbreviation: | Anshan Iron and Steel Group Complex ("Angang Holding");

ANSC-TKS Galvanizing Co., Ltd. (the "Jointly Controlled Entity"), a galvanized steel sheets enterprise jointly invested and established by the Company and Thyssen Krupp Stahl AG. Each of the investing parties holds a 50% equity interest therein;

Angang New Steel and Iron Company Limited ("ANSI") is a subsidiary of Angang Holding. |

II. MAJOR FINANCIAL DATA AND INDICES (UNAUDITED)

1. For the six months ended 30 June 2005, the Company recorded a profit attributable to equity holders of the Parent of Rmb1,223,621,000 based on the International Financial Reporting Standards ("IFRS") and a net profit of Rmb1,222,200,000 based on the PRC Accounting Rules and Regulations. The difference recorded was Rmb1,421,000. The reasons for the difference are as follows:
 - (1) an increase of profit by Rmb160,000 resulted from pre-operating expenses;
 - (2) a decrease of profit by Rmb2,268,000 resulted from re-valuation of lease prepayments;
 - (3) a reduction of profit by Rmb5,000 resulted from the amortisation of lease prepayments;
 - (4) a decrease of profit by Rmb5,000 resulted from the cancellation of payables; and
 - (5) an increase of profit by Rmb697,000 resulted from deferred taxation.

2. Major financial data

Prepared under IFRS

Unit: Rmb'000

Items	For the six months ended 30 June	
	2005	2004
Profit attributable to equity holders of the Parent	1,223,621	715,727
Earnings per share		
— Basic	Rmb0.413	Rmb0.242
— Diluted	Rmb0.413	Rmb0.241
Return on equity attributable to equity holders of the Parent (weighted)	11.67%	7.80%
Return on equity attributable to equity holders of the Parent (diluted)	11.81%	8.01%

Items	As at	As at
	30 June 2005	31 December 2004
Total assets	14,743,502	14,899,934
Gearing ratio	29.75%	32.74%
Equity attributable to equity holders of the Parent	10,356,925	10,022,276
Equity attributable to equity holders of the Parent per share	Rmb3.50	Rmb3.38

Prepared in accordance with the PRC Accounting Rules and Regulations

Unit: Rmb'000

Items	For the six months ended 30 June	
	2005	2004
Net profit	1,222,200	695,985
Net profit after non-operating items	1,222,120	696,027
Earnings per share	Rmb0.412	Rmb0.235
Return on net assets (weighted)	11.53%	7.49%
Return on net assets (diluted)	11.68%	7.69%

Items	As at 30 June 2005	As at 31 December 2004
Total assets	14,755,331	15,343,328
Gearing ratio	29.06%	33.95%
Shareholders' funds	10,467,176	10,133,942
Net assets per share	Rmb3.53	Rmb3.42
Adjusted net assets per share	Rmb3.53	Rmb3.42

3. Differences between financial statements prepared under the PRC Accounting Rules and Regulations and IFRS

Impact of adjustments under IFRS on profit and equity attributable to equity holders of the Parent:

Items	Profit attributable to equity holders of the Parent For the six months ended 30 June 2005	Equity attributable to equity holders of the Parent As at 30 June 2005
		<i>Unit: Rmb'000</i>
Amount under IFRS	1,223,621	10,356,925
Adjusted items		
(1) Pre-operating expenses	160	177
(2) Re-valuation of lease prepayments	(2,268)	192,780
(3) Amortisation of lease prepayments	(5)	743
(4) Capitalisation of interest	—	(21,855)
(5) Capitalisation of interest on convertible debentures	—	(7,292)
(6) Others	(5)	—
(7) Deferred taxation	697	(54,302)
Amount under the PRC Accounting Rules and Regulations	<u>1,222,200</u>	<u>10,467,176</u>

4. Return on net assets and earnings per share for the six months ended 30 June 2005 as calculated in accordance with the “Regulations for Preparation and Reporting of Information Disclosed by Listed Companies (No. 9)” issued by the China Securities Regulatory Commission:

Profit for the reporting period	Return on net assets (%)		Earnings per share (Rmb / share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	20.28	20.03	0.717	0.717
Operating profit	16.74	16.54	0.592	0.592
Net profit	11.68	11.53	0.412	0.412
Net profit after deduction of non-operating items	11.68	11.53	0.412	0.412

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

(1) Share capital structure

During the six months ended 30 June 2005, changes in the share capital structure of the Company were as follows:

Unit: Share

	Beginning of the period	Share placement	Bonus issue	Change (+ / -) for the period		Sub-total	End of the period
				Shares converted from surplus reserve	Others (debentures converted shares)		
I. Unlisted shares							
State-owned shares	1,319,000,000	—	—	—	—	—	1,319,000,000
Total unlisted shares	<u>1,319,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,319,000,000</u>
II. Listed shares							
1. Renminbi ordinary shares	753,942,246	—	—	—	43,451	43,451	753,985,697
2. Overseas listed foreign invested shares	890,000,000	—	—	—	—	—	890,000,000
Total listed shares	<u>1,643,942,246</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>43,451</u>	<u>43,451</u>	<u>1,643,985,697</u>
III. Total number of shares	<u>2,962,942,246</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>43,451</u>	<u>43,451</u>	<u>2,962,985,697</u>

Note: Explanation of the changes in total number of shares and share structure during the reporting period: the domestic Renminbi ordinary shares and the total number of shares increased by 43,451 shares was due to the conversion of debentures during the reporting period.

In March 2000, the Company issued Rmb1.5 billion of convertible debentures of A shares with a maturity term of 5 years. As set out in the prospectus for the convertible debentures, the convertible debentures of the Company has expired on 13 March 2005. The Company made full repayment of the principal amount and the interest accrued thereon on 14 March 2005 and the conversion was terminated and the debentures were de-listed on the same day. Such repayment was made for the principal and interest accrued thereon in a total amount of Rmb3,463,010. As at the expiry date, a total of 453,985,697 A Shares have been issued upon conversion of the Company's convertible debentures.

Pursuant to the document Guo Zi Chan Quan No. [2005] 286 issued by the State-owned Assets Supervision and Administration Commission of the State ("SASAC") on 8 March 2005, it was confirmed that the shares of the Company currently held by Angang Holding are State-owned shares.

(2) Details of Shareholders

- As at 30 June 2005, the total number of shareholders of the Company was 119,809, of which 1,558 were holders of H shares.
- Shareholdings of major shareholders

As at 30 June 2005, the top 10 shareholders and top 10 holders of listed shares of the Company and their respective shareholdings were as follows:

Total number of shareholders at the end of the reporting period: 119,809

Details of shareholdings of top 10 shareholders:

Name of shareholders	Increase / decrease during the period (+/-)	Number of shares held at the end of the period	Percentage of shareholding (%)	Class of shares	Number of shares pledged or frozen	Type of shares held
Anshan Iron and Steel Group Complex	—	1,319,000,000	44.52	Unlisted	—	State-owned shareholder
HKSCC Nominees Limited	-664,173	878,913,726	29.66	Listed	Unknown	Foreign shareholder
Industrial and Commercial Bank of China -博時精選股票證券投資基金 (Boshi Selected Stock Securities Investment Fund)	—	26,993,443	0.91	Listed	Unknown	A Shares
Bank of China-同盛證券投資基金 (Tongsheng Securities Investment Fund)	—	21,717,193	0.73	Listed	Unknown	A Shares
博時價值增長證券投資基金 (Boshi Value Growth Securities Investment Fund)	—	15,654,895	0.53	Listed	Unknown	A Shares
銀豐證券投資基金 (Yinfeng Securities Investment Fund)	-1,570,516	12,363,077	0.42	Listed	Unknown	A Shares
Industrial and Commercial Bank of China -銀河銀泰理財分紅證券投資基金 (Yinhe Yintai Financial Planning and Bonus Securities Investment Fund)	-8,883,722	11,865,670	0.40	Listed	Unknown	A Shares
全國社保基金一零一組合 Portfolio 101 of National Social Security Fund	—	9,599,438	0.32	Listed	Unknown	A Shares
China Construction Bank -華寶興業多策略增長證券投資基金 (Huabao Xingye Multi-strategy Growth Securities Investment Fund)	—	9,446,366	0.32	Listed	Unknown	A Shares
Industrial and Commercial Bank of China -普豐證券投資基金 (Pufeng Securities Investment Fund)	—	9,224,290	0.31	Listed	Unknown	A Shares

Details of shareholdings of the top 10 shareholders of listed shares:

Name of shareholders	Number of listed shares held at the end of the reporting period	Type of shares
HKSCC Nominees Limited	878,913,726	H Shares
Industrial and Commercial Bank of China — 博時精選股票證券投資基金 (Boshi Selected Stock Securities Investment Fund)	26,993,443	A Shares
Bank of China — 同盛證券投資基金 (Tongsheng Securities Investment Fund)	21,717,193	A Shares
博時價值增長證券投資基金 (Boshi Value Growth Securities Investment Fund)	15,654,895	A Shares
銀豐證券投資基金 (Yinfeng Securities Investment Fund)	12,363,077	A Shares
Industrial and Commercial Bank of China — 銀河銀泰理財分紅證券投資基金 (Yinhe Yintai Financial Planning and Bonus Securities Investment Fund)	11,865,670	A Shares
全國社保基金一零一組合 Portfolio 101 of National Social Security Fund	9,599,438	A Shares
China Construction Bank — 華寶興業多策略增長證券投資基金 (Huabao Xingye Multi-strategy Growth Securities Investment Fund)	9,446,366	A Shares
Industrial and Commercial Bank of China — 普豐證券投資基金 (Pufeng Securities Investment Fund)	9,224,290	A Shares
Industrial and Commercial Bank of China — 金泰證券投資基金 (Jintai Securities Investment Fund)	8,605,042	A Shares

The relationship (connected, acting in concert) amongst the above shareholders:

Angang Holding, the largest shareholder of the Company, has no relationship with any of the other top 10 shareholders of listed shares of the Company nor is it a party to any concerted action described in the Administration Procedures for Information Disclosure in respect of Shareholding Movements in Listed Companies. Industrial and Commercial Bank of China - 博時精選股票證券投資基金 (Boshi Selected Stock Securities Investment Fund) and, 博時價值增長證券投資基金 (Boshi Value Growth Securities Investment Fund) were owned by Boshi Fund Management Co. Ltd. and 銀豐證券投資基金 (Yinfeng Securities Investment Fund) and Industrial and Commercial Bank of China-銀河銀泰理財分紅證券投資基金 (Yinhe Yintai Financial Planning and Bonus Securities Investment Fund) were owned by Yinhe Fund Management Co. Ltd. The Company was not aware that any other shareholders are connected to or acting in concert with each other.

3. Details of the controlling shareholder of the Company

The controlling shareholder of the Company is Angang Holding.

Legal representative:	Liu Jie
Year of incorporation:	1948
Scope of business:	Production of steel products, metal products (non-franchise), cast iron tubes, metal structures, metal wire and products, sintering and coking products, cement, power generation, metallurgical machinery and parts, electrical machinery, electricity transmission and supply and control facilities and meters, mining of iron and manganese ores, refractory earth and stone extraction.
Principal products:	Steel pressing products and metal products
Registered capital:	Rmb10,794,160,000
Shareholding structure:	Wholly-owned by the State

4. Interests and short positions of major shareholders in the shares and underlying shares of the Company

Save as disclosed below, as at 30 June 2005, there was no other person (other than the Directors, chief executive or Supervisors of the Company) who was recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (the "SFO") as having an interest or short position in the shares or underlying shares of the Company:

Interests in ordinary shares of the Company

Name of shareholders	Number and type of shares	Proportion to issued share capital held in total (%)	Proportion to issued H Shares in total (%)	Proportion to issued unlisted shares in total (%)	Capacity
Angang Holding	1,319,000,000 State-owned Shares	44.52	—	100	Beneficial owner
HKSCC Nominees Limited	878,913,726 H Shares	29.66	98.75	—	Nominee

IV. DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Changes in the shareholdings of Directors, Supervisors and Senior Management

As at 30 June 2005, interests in the Company's issued share capital held by Directors, Supervisors and Senior Management were as follows:

Name	Position	Number of shares held as at 1 January 2005	Number of shares held as at 30 June 2005	Increase / Decrease of No. Shares for the period
LIU Jie	Chairman of the Board	5,000	5,000	0
YANG Hua	Vice Chairman	0	0	0
CAI Denglou	Vice Chairman	0	0	0
TANG Fuping	General Manager	0	0	0
YAO Lin	Director	5,000	5,000	0
LI Zhongwu	Director, Deputy General Manager	0	0	0
ZHANG Lifan	Director, Deputy General Manager	0	0	0
FU Jihui	Director, Deputy General Manager	5,000	5,000	0
FU Wei	Director, Deputy General Manager	9,000	9,000	0
YU Wanyuan	Non-executive Director	0	0	0
WANG Xiaobin	Independent non-executive Director	0	0	0
YAO Weiting	Independent non-executive Director	0	0	0
LIU Yongze	Independent non-executive Director	0	0	0
LI Chak Yan, Francis	Independent non-executive Director	0	0	0
WANG Xiaobin	Independent non-executive Director	0	0	0
QI Cong	Chairman of the Supervisory Committee	0	0	0
ZHOU Fa	Supervisor & Chairman of the Labour Union	5,000	5,000	0
XING Guibin	Supervisor	0	0	0
MA Lianyong	Chief Accountant	0	0	0

Shares held by the above persons were A shares of the Company who held those shares in the capacity of the beneficial owners.

(2) Interests and short positions in shares, underlying shares and debentures of the Company held by Directors, Chief Executive and Supervisors

Save as disclosed under section (1) above, as at 30 June 2005, none of the Directors, chief executive or Supervisors of the Company had any interest or short position in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(3) Changes of Directors, Supervisors and Senior Management during the reporting period

The Company's general meeting of 2004 was held on 9 May 2005 at which the appointment of Ms. Wang Xiaobin as an independent non-executive director of the Company was considered and approved.

The nineteenth meeting of the Third Board was held on 30 May 2005 at which the appointment of Mr. Tang Fuping as the General Manger of the Company and the resignation of Mr. Yao Lin as the General Manger of the Company were approved.

V. MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business review:

In accordance with IFRS, the Company recorded a profit attributable to equity holders of the Parent of Rmb1,223,621,000 for the six months ended 30 June 2005, representing an increase of 70.96% over the same period last year. Basic earnings per share was Rmb0.413. In accordance with the PRC Accounting Rules and Regulations, the Company recorded a net profit of Rmb1,222,200,000 for the six months ended 30 June 2005, representing an increase of 75.61% as compared with the corresponding period last year. Earnings per share was Rmb0.412.

Since the beginning of the year, the overheating development of steel industry had been preliminarily contained and its development became more rational and healthy as a result of the joint efforts of PRC government's macroeconomic control policy and market mechanism.

Average price of steel product (comparable products) of the Group increased by 18.53% which has an increase of 14.77% compared with the corresponding period of last year.

During the first half of the year, the Company has proactively seized the favorable market conditions by fine-tuning its sales strategies, optimising production operation and strived to upgrade the standard of production and operation of the Company to a higher level.

- (1) Strengthening production operation and increasing production capacity. During the first half of the year, the Group produced 2,932,000 tonnes of steel products, representing an increase of 13.40% over the same period last year; amongst all, cold rolled sheets amounted to 862,800 tonnes, representing a decrease of 5.27% over the same period last year as affected by further deep processing of steel products; galvanized sheets and colour coating sheets amounted to 413,300 tonnes, representing an increase of 140.29% over the same period last year; wire rods amounted to 455,600 tonnes, representing an increase of 30.21% over the same period last year; thick plates amounted to 556,800 tonnes which is the same as the production over the same period last year; and large and continuous rolling mill products amounted to 643,500 tonnes, representing an increase of 6.82% over the same period last year. The Steel Smelting Plant produced 1,782,200 tonnes of steel, representing an increase of 13.79% as compared to the same period last year.
- (2) Proactive dealing with direct users, implementing preferential production and guarantee of resources for the needs of direct users in a bid to secure the Company's sales channels in long-term. During the first half of the year, the number of orders placed by direct users reached 71% of the Company's total number of orders, representing an increase of 1.51% as compared to the same period last year.

The Group sold 2,841,500 tonnes of steel products during the first half of the year.

- (3) Proactive development of high-end products of cold rolled O5 sheet used in vehicle in order to develop the market of vehicle panel. There was a significant increase in the orders for O5 sheet as compared to the same period last year.
- (4) Development of overseas markets and expanding export. During the first half of the year, the Company exported 629,700 tonnes of products, representing an increase of 95.02% in comparison to the same period last year.
- (5) Deepening scientific and technological research and development of new products. During the first half of the year, the Company set up 45 research projects, developed and produced 1,270,000 tonnes of new products and produced 2,190,000 tonnes of specialized, distinctive and high quality products. All such efforts have laid a foundation for enhancing the competitiveness of the products manufactured by the Company.

(2) No significant changes in profit constituents, principal operations and their structure and the profitability of principal operations of the Group as compared with the previous reporting period.

(3) Products representing more than 10% of the revenue from principal operations or of the profit from principal operations of the Group are as follows (under the PRC Accounting Rules and Regulations):

Products	Revenue from principal operations (Rmb'000)	Cost of principal operations (Rmb'000)	Gross profit margin (%)	Increase (+) /decrease (-) in income from principal operations compared with the same period of the previous year (%)	Increase (+) /decrease (-) in cost of principal operations compared with the same period of the previous year (%)	Increase (+) /decrease (-) in gross profit margin compared with the same period of the previous year (%)
Cold rolled sheets	4,834,239	4,306,470	10.92	30.66	23.55	5.15
Galvanized sheet and colour coating sheets	2,531,525	2,337,542	7.66	232.46	233.51	-0.29
Thick plates	2,576,230	1,796,514	30.27	21.07	19.86	0.71
Wire rods	1,426,588	1,152,240	19.23	30.09	35.78	-3.20
Large steel products	2,269,677	1,995,529	12.08	18.93	19.78	-0.62
Out of which connected transactions	1,400,472	1,231,336	12.08	0.09	-0.76	0.76

The pricing policy for connected transactions

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

Rationale for and continuity of connected transactions

The production of steel is of a relatively strong continuity. The Company relies on Angang Holding and its subsidiaries for the supply of most of its 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 operation of the Company.

During the reporting period, the connected transactions in relation to the sales of products and provision of services from the Company to its controlling shareholder and subsidiaries amounted to a total of Rmb1,723,879,000.

Explanation:

- (1) *The increase in income from principle operation of cold rolled sheets over the same period of previous year is mainly due to an increase in the proportion of high value-added products and an increase in the product price. The increase in cost of principle operations over the same period of previous year is due to an increase in the price of raw materials and the change in product structure; the increase in gross profit margin is due to the larger increase in the proportion of high value-added products and revenue than the increase in cost.*
- (2) *The increase in revenue from principle operations of galvanized steel sheets and color coating steel sheets and the increase in the cost of principle operations is due to the increase in sales volume.*
- (3) *The increase in revenue and operating cost of principle operation of thick plates over the same period of previous year is due to effect of the expansion in sales proportion of high value-added products leading to the changes in product structure.*
- (4) *The increase in revenue from wire rod over the same period of previous year was due to an increase in sales and an increase in the sales ratio of value-added products and an increase in product price; the increase in the cost of principal operation was due to an increase in sales volume, an increase in the price of raw materials and the variation in product structure; the decrease in gross profit margin was due to the increase in product price was less than the increase in the cost of raw materials; and*
- (5) *The increase in revenue and cost of principle operation of large steel products over the same period of last year was due to an increase in sales volume and change in product structure.*

(4) Analysis of revenue from principal operations by geographical locations (under the PRC Accounting Rules and Regulations):

Regions	Income from principal operations (Rmb'000)	Income from principal operations in the corresponding period last year (Rmb'000)	Change (+) / (-) of income from principal operations compared with the same period in previous year (%)
Northeast China	7,267,130	4,929,306	47.43
Northern China	842,774	730,643	15.35
Eastern China	1,847,310	1,738,730	6.24
Southern China	753,527	732,235	2.91
Central South China	228,965	302,694	-24.36
Northwest China	59,555	122,374	-51.33
Southwest China	40,648	82,605	-50.79
Export sales	3,163,729	1,251,268	152.84
Total	<u>14,203,638</u>	<u>9,889,855</u>	<u>43.62</u>

(5) Problems and difficulties in operation

During the first half of the year, the domestic market had suffered from certain pressure as a result of the State's adoption of macro-economic control policy. Meanwhile, market competition intensified as a result of the rapid increase in production capacity of domestic steel industry.

(6) Investment of the Company

1. In March 2000, the Company issued convertible debentures of A Shares in the amount of Rmb1,500,000,000 in the PRC, raising a total of Rmb1,480,000,000. The details are as follows:

Unit: Rmb'000

Projects undertaken	Proposed investment	Changes in use of proceeds	Actual amount of investment	Actual/ (estimated) benefits	Whether progressing as scheduled and estimated return
Renovation of cold rolling line	1,950,000	No	1,585,710	143,832	Yes
Cold Rolling Plant's renovation of No. 2 and 3 cross cutting lines	100,000	No	32,960	29,087	Yes
Distribution centre for the Cold Rolling Plant	180,000	No	0	15.66% (estimated)	No
Total	<u>2,230,000</u>		<u>1,618,670</u>	<u>172,919</u>	

2. Progress on uncompleted projects financed by proceeds

The main reason for the delayed in completion of the cutting and distribution center in the Cold Rolled Plant is that the project's operation plans required further analysis.

3. Progress on investment by non-publicly raised funds

The Company has planned to invest a total of Rmb2,640,000,000 to set up the 2130mm cold rolled production lines. As at 30 June 2005, the Company has invested Rmb1,296,864,000 in this project.

(7) There was no material change for principle operations and their structure as compared with the same period of the previous year.

(8) There was no material change for profitability (gross profit margin) of principal operations as compared with the same period of the previous year.

(9) There was no material change for composition of profit as compared with the same period of the previous year.

(10) Analysis of the Group's financial position

Prepared under IFRS (unaudited)

1. Items of income statements and cash flow statements

Unit: Rmb'000

Items	For the six months ended 30 June		Change (+) / (-) (%)
	2005	2004	
Turnover	14,177,765	9,883,321	43.45
Cost of principal operations	12,052,957	8,476,186	42.20
Profit from principal operations	2,124,808	1,407,135	51.00
Profit attributable			
to equity holders of the Parent	1,223,621	715,727	70.96
Net decrease in cash and cash equivalents	-1,201,301	-1,484,416	-19.07

Notes:

- a. *Increase in turnover was due to an increase in sales volume of products, the ratio of high value-added products sales and product price.*
- b. *Increase in cost of principal operation was due to the increase in sales volume of products, change in product structure and raw materials and an increase in the cost of raw materials procurement.*
- c. *Increase in profit from principal operations was due to an increase in sales volume, ratio of high value-added products sales, increase in product price and decrease in unit cost.*
- d. *Net decrease in cash and cash equivalents was mainly due to the increase in construction expenses in the period as compared with the same period last year; secondly, bank loans of Rmb300 million was borrowed in the same period last year while Rmb25 million was borrowed in the period. In addition, there was an increase in re-payment of bank loans in the period as compared with last year; thirdly, there was an increase in distribution of dividend as compared with the same period in last year.*

2. Items of balance sheets

Unit: Rmb'000

Items	As at 30 June 2005	As at 31 December 2004	Change (+) / (-) (%)
Total assets	14,743,502	14,899,934	-1.05
Equity attributable to equity holders of the Parent	10,356,925	10,022,276	3.34
Long-term loans	824,280	1,244,548	-33.77
Cash at banks and in hand	822,382	2,748,133	-70.07
Bills receivable	1,393,502	1,425,868	-2.27
Inventories	2,907,911	2,221,412	30.90
Construction in progress	1,666,219	611,498	172.48
Bills payable	197,975	220,899	-10.38
Short-term bank loans	1,278,534	1,203,534	6.23

Notes:

- a. Decrease in total assets was due to repayment of bank loans and payment of dividends.
- b. Increase in equity attributable to equity holders of the Parent was due to net profit from operations.
- c. Decrease in long-term loans was due to inclusion of the part due within one year into short-term bank loans.
- d. Decrease in cash at banks and in hand was due to payment of project expenses, repayment of loans and payment of dividends.
- e. Decrease in bills receivable was due to the increase in cash payment to the Group by customers.
- f. Increase in inventories was due to the expansion of production and the rise of prices of raw materials.
- g. Increase in construction in progress was due to the increase in project expenses for the Company's 2130 cold rolling production line under construction.
- h. Decrease in bills payable was due to the increase in the Group's cash payment to suppliers.
- i. Increase in short-term bank loans was due to inclusion of long-term loans due within one year into short-term bank loans.

(11) Business plan for the second half of the year

1. To develop cost estimation for work process to reinforce cost control.
2. To strengthen the adjustment to product mix with a market-oriented view.
3. To strengthen scientific research and development to sharpen the Company's core competitive edge.
4. To further strengthen customer relation management for higher standard of service and stable selling channels.
5. To advance the acquisition of equity interest in ANSI to integrate the principal steel and iron businesses of the Company.

(12) Liquidity, financial resources and capital structure of the Group (under IFRS)

1. As of 30 June 2005, the Group had long-term loans of Rmb824,000,000 and which were mainly used for construction projects. The term of the loans ranged from 2 to 10 years with annual interest rates ranging from 5.49% to 5.76%.
2. As of 30 June 2005, the Group had cash and cash equivalent of Rmb822,000,000 and at the end of 2004, the amount was Rmb2,748,000,000.

As at 30 June 2005, the total assets less current liabilities of the Group amounted to Rmb11,181,000,000 as compared to Rmb11,267,000,000 at the end of 2004. The equity attributable to equity holders of the Parent amounted to Rmb10,357,000,000 as at 30 June 2005 as compared with Rmb10,022,000,000 at the end of 2004.

(13) Charges of assets

The Company's Jointly Controlled Entity has charged its accounts receivables, certain land use rights, construction in progress, properties, buildings, machinery and equipment to the Bank of China as security for bank loans. Meanwhile, the Company had pledged 50% of its equity interests in the Jointly Controlled Entity to the Bank of China.

(14) Commitments and contingent liabilities

As at 30 June 2005, the Group had capital commitment of Rmb20,838,000,000, which was primarily the expenses of external investment and acquisition of assets.

As at 30 June 2005, the Group did not have any contingent liabilities.

(15) Gearing ratio

In accordance with IFRS, the equity attributable to equity holders of the Parent to liabilities ratio of the Group as at 30 June 2005 was 2.36 times, compared with 2.05 times as at 31 December 2004.

(16) Foreign exchange risk

The Company exported some of its products and imports some of the equipments, spare parts and materials from time to time. Such import and export almost offset the exposure to foreign exchange risk.

(17) Change in exchange system and its impact on the Company

Starting from 21 July 2005, the PRC adopted a managed floating exchange rate system which was based on market supply and demand and adjusted with reference to a basket of currencies. The exchange rate of the US dollar against Renminbi was adjusted to US\$1 = Rmb8.11 with effect from 19:00 on 21 July 2005.

Due to the slight change in the exchange rates under the new system and the Company's basically balanced import and export, the impact of the changed in the exchange rates was offset.

(18) Employees

As at 30 June 2005, the Company had 6,060 employees, of which 3,821 were in production, 35 were sales personnel, 404 were technicians and 51 were in finance. Among the employees of the Company, 931 had obtained a bachelor degree or above, representing 15.4% of the number of the employees, 1,066 had diplomas, representing 17.6% of the number of the employees and 260 had received secondary education, representing 4.3% of the number of the employees.

The Company implemented a salary distribution system with respect to senior management pursuant to which salary payable is linked to the position held and annual remuneration payable is linked to the risk subjected. For employees holding research and development positions, salaries payable were linked to position and bonus was distributed according to new product developed and profits. For employees holding sales positions, salaries payable were linked to sales profit. Other staff are paid in accordance with the positions they hold.

During the first half of the year, the Company put more efforts in operation and technical training for production operators. 1,750 in-service employees have applied for the national occupational technique appraisal and have participated in training for theory of skill grading, enhancing the training of foreign language and computer for management and technician. The overall staff calibre was improved through training.

(19) Independent Non-executive Director

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive directors and at least one independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed five independent non-executive directors including one with financial management expertise, details of their biographies were set out in the 2004 Annual Report of the Company.

(20) Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee along with the management have reviewed the accounting standards, principles and methods adopted by the Group, and considered matters regarding auditing, internal control and financial reporting including the unaudited interim accounts for the six months ended 30 June 2005.

VI. REVIEW OF SIGNIFICANT EVENTS

(1) Review of corporate governance

The Group has strictly complied with the applicable requirements of the PRC Company Law, the PRC Securities Law, the relevant requirement of the China Securities Regulatory Commission, the Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange and the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules. The Company has regulated operations, amended the Articles of Association of the Company and established a sound corporate governance system.

(2) Proposed interim profit appropriation and transfer from common reserve to share capital

The Company will not declare any interim dividends in respect of the six months ended 30 June 2005. No surplus reserves will be transferred to the share capital of the Company.

(3) Implementation of profit appropriation plan

On 9 May 2005, the Company convened its 2004 general meeting in Anshan, at which the 2004 profit appropriation plan was considered and approved. It was resolved to distribute a cash dividend of Rmb3 per 10 shares, with the dividend for domestic-listed Renminbi ordinary shares inclusive of tax. On 20 May 2005, the Company distributed cash dividends to holders of H Shares. The applicable exchange rate was based on the average of the basic exchange rate of Renminbi and Hong Kong dollar announced by the Bank of China one calendar week prior to the holding of the general meeting, being HK\$100 to Rmb106.1609. The cash dividends actually paid to holders of H Shares was HK\$251,505,104. On 18 May 2005, the Company distributed cash dividends to holders of A Shares and state-owned legal person shares. As at 17 May 2005, there were 753,985,697 A Shares and 1,319,000,000 state-owned legal person shares; the Company distributed Rmb621,895,709 in aggregate to the share of domestic listed A Shares and state-owned legal person shares. The cash dividends for 2004 distributed by the Company was Rmb889,094,732 in total.

(4) Material litigation and arbitration

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

(5) Material acquisition and sale of assets, and disposals

There was no material acquisition and sale of assets and disposals by the Company during the reporting period.

(6) Material connected transactions in the reporting period

During the reporting period, the Company purchased most of its raw materials, energy and utilities 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 and calculated in accordance with the Materials and Services Supply Agreement entered into between the parties.

1. Major items provided by Angang Holding and its subsidiaries to the Company were as follows:

Items	Pricing principle	Price	Amount (Rmb'000)	As a percentage of the contractual amount of similar transaction (%)
Billets	Not higher than the minimum sales price for the preceding month offered by Angang Holding and its subsidiaries to its independent third party customers and the average of the prices of batch raw materials quoted to the Company by five independent suppliers in the PRC	Rmb2,430 / tonne	447,679	100
Slabs		Rmb3,147 / tonne	67,991	100
Hot rolled coils		Rmb4,401 / tonne	6,177,322	100
Molten iron		Rmb1,900 / tonne	3,480,805	100
Scrap steel		Rmb2,002 / tonne	225,249	100
Water for industrial use	At cost	Rmb0.86 / tonne	6,051	99.03
Recycled water		Rmb0.39 / tonne	3,970	100
Soft water		Rmb2.96 / tonne	1,359	100
Mixed gas		Rmb21.13 / GJ	88,377	100
Nitrogen		Rmb0.06 / M ³	5,407	100
Oxygen		Rmb0.4 / M ³	39,990	100
Argon		Rmb1.15 / M ³	2,004	100
Hydrogen		Rmb1.55 / M ³	7,186	100
Compressed air		Rmb0.08 / M ³	8,295	100
Steam		Rmb31.35 / GJ	21,278	95.44
Lime	Not higher than the average of the sales prices for the preceding month offered by the relevant members of Angang Holding to independent third parties	Unit price: Rmb410 / tonne	45,797	100
Refractory materials		Unit price: Rmb4,165 / tonne	36,961	10.49
Total			10,665,721	

2. Major items provided by the Company to Angang Holding and its subsidiaries were as follows:

Items	Pricing principle	Price	Amount (Rmb'000)	As a percentage of the contractual amount of similar transaction (%)	
Billets		Rmb2,817 / tonne	18,224	52.85	
Slabs		Rmb3,032 / tonne	325,963	58.67	
Cold rolled sheets	Not less than the average of the sales prices for the preceding month offered by the Company to its independent third parties	Rmb5,810 / tonne	10,335	0.23	
Galvanized steel sheets		Rmb6,001 / tonne	78	—	
Thick plates		Rmb3,810 / tonne	54,740	2.22	
Wire rods		Rmb3,257 / tonne	25,041	1.78	
Large steel products		Rmb3,346 / tonne	7,955	0.62	
Scrap steel		Rmb1,477 / tonne	400,616	100	
Pipe billets		Rmb3,088 / tonne	801,737	100	
Total				1,644,689	

3. Major services provided by Angang Holding and its subsidiaries to the Company were as follows:

Items	Pricing principle	Amount (Rmb'000)	As a percentage of the contractual amount of similar transaction (%)
Railway transportation	State price	25,389	100
Road transportation	Market price	21,483	79.51
Imports of components and accessories	1.5% as commission	1,550	100
Product export agency	1.5% as commission	34,495	100
Services of testing and analysis of products	State price	9,979	45
Repair and maintenance of equipment	State price	91,737	37.61
Design and engineering services	State price	55,277	4.43
Heat supply to staff quarters	State price	29	0.60
Telephone / fax / TV services	State price	1,123	75.33
Total		241,062	
The highest deposit amount of the Company in Angang Holding Finance Company		990,178	—
Payment of interests to the Company by Angang Holding Finance Company		2,709	23.98

4. Material processing services provided by the Company to Angang Holding and its subsidiaries were as follows:

Item	Pricing Principle	Amount (Rmb'000)	As a percentage of the contractual amount of similar transaction (%)
Material processing for ANSI by the Company	Rmb622 per tonne of cold rolled silicon steel Rmb350 per roll of cold rolled silicon steel	79,190	100

5. Major items provided by the Company to its jointly controlled entities were as follows:

Item	Amount (Rmb'000)	As a percentage of the contractual amount of similar transaction (%)
Cold hard coils	934,345	18.49

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

During the reporting period, the gross profit margin of pipe billets sold by the Company to ANSI was 16.66%.

(7) Creditors' rights and debts between the Company and connected parties

Apart from the creditors' rights and debts incurred from normal production and operating activities, there was no other creditor and debtor relationship between the Company and connected parties.

As at 30 June 2005, bank loans in the amount of Rmb1,663,000,000 of the Company were guaranteed by Angang Holding.

(8) The impacts on financial conditions and operating results during the reporting period and the progress of the matters since the publication of assets reorganisation report or announcement of acquisition or disposal of assets

On 28 February 2005, the Company held the first extraordinary general meeting and class meeting in the year 2005 to consider and approve the acquisition of 100% equity interests in Angang New Steel and Iron Company by the Company and the issue of shares relating to the acquisition. Currently, the item is in the phase of reporting. As acquisition had not been implemented, there was no material impact on the financial conditions and operating results of the Company during the reporting period.

(9) Material contracts and their performance

1. The Company did not enter into any trust, contractual or lease arrangement in respect of the assets of other companies nor did other companies enter into any trust, contractual or lease arrangement in respect of the assets of the Company during the reporting period.

2. Material guarantee

Guarantee provided by the Company in respect of the subsidiaries

Name of guaranteed parties	Date of guarantee	Guaranteed amount	Type of guarantee	Terms of guarantee	Whether implementation has been completed	Whether a guarantee for connected parties
Jointly Controlled Entities	22 October 2002	Rmb440,000,000	Pledged	12.5 years	Not completed	Yes
The incurred amount of guarantee in total during the reporting period		—				
The remaining amount of guarantee in total during the reporting period		Rmb440,000,000				

Guarantee amount in total of the Company (Including guarantee of the Company to controlling subsidiaries)

Amount of guarantee in total	Rmb440,000,000
The percentage of the total amount of guarantee represented in net assets of the Group	4.20%

Specific statement of Independent Directors on the cumulative and current external guarantee and the implementation of “Notice in relation to certain issues concerning the regulation of funds transaction between listed companies and connected parties, and external guarantees entered into by listed companies” and opinion of independent Directors:

In accordance with the document Zheng Jan Hui Fa [2003] No. 56 “Notice in relation to the issues of the regulation of funds transaction between listed companies and connected parties, and external guarantees entered into by listed companies” (the “Notice”) issued by the China Securities Regulatory Commission, we are practical and realistic in carrying out cautious and responsible examination on the Company’s external guarantee. Details of which are as follows:

- (1) The Company has been in compliance with the relevant requirements of the Listing Rules of Shenzhen Stock Exchange since its listing, and has not provided any guarantee to its controlling shareholders and any other connected parties with shareholdings below 50%, or non-legal person units or individuals.
 - (2) The Company has not provided any guarantee for any other companies in the first half of the year.
 - (3) As at 30 June 2005, external guarantees entered into by the Company amounted to Rmb440,000,000, accounting for 4.20% of the net assets of the Group as at 30 June 2005 (under the PRC Accounting Rules and Regulations).
 - (4) As at 30 June 2005, there was not any matters of due guarantee of the Company.
 - (5) To date, the Company has not been subjected to any penalty, criticism nor condemnation by the securities regulatory departments in respect of the Company’s external guarantees.
 - (6) The Company had amended its Articles of Association pursuant to the requirements of the Notice.
3. The Company did not entrust the management of any of its assets during the reporting period;
 4. The Company did not enter into any other material contract during the reporting period;
 5. The Company did not entrust any parts with funds administration during the reporting period.

(10) During the reporting period, neither the Company nor shareholders holding 5% or more (inclusive of 5%) of the Company's issued share capital had made any commitment which may have material impact on the Company's operating results and financial position. No such commitments have been made in the past which would continue to be effective during the reporting period.

(11) Repurchase, sale or redemption of the Company's listed shares

For the six months ended 30 June 2005, the Company issued 43,451 A Shares in respect of the conversion of the convertible debentures issued by the Company in March 2000. Other than the A Shares issued upon such conversion, there were no other repurchase, sale or redemption by the Company or any of its subsidiaries of its shares during the period under review.

(12) Code of practice for corporate governance

The Board believes that, for the six months ended 30 June 2005, the Group has complied with the Code of Practice for Corporate Governance as set out in Appendix 14 of the Listing Rules.

(13) Model Code

The Company had adopted a code of practice for the securities transactions of the Company the terms of which are no less exacting than the required standard as set out in the Model Code.

Having made specific enquiries and confirmed by all Directors of the Company, each of the Directors has complied with the standard set out in the Model Code and the code of practice for securities transactions of the Company adopted by the Company during the reporting period.

VII. FINANCIAL REPORT (UNAUDITED)

A. Interim Financial Report prepared in accordance with IAS 34 Interim Financial Reporting

Consolidated income statement (unaudited)

for the six months ended 30 June 2005
(Expressed in Renminbi)

		Six months ended 30 June	
		2005	2004
	Note	Rmb'000	Rmb'000
Turnover	2,3	14,177,765	9,883,321
Cost of sales		(12,052,957)	(8,476,186)
Gross profit		2,124,808	1,407,135
Other operating income		49,210	39,986
Administrative expenses		(159,669)	(146,893)
Distribution and other operating expenses		(227,992)	(171,116)
Profit from operations		1,786,357	1,129,112
Net financing costs		(30,098)	(45,378)
Share of profits less losses of associates		(1,954)	65
Profit before taxation	4	1,754,305	1,083,799
Income tax expense	5	(530,684)	(368,072)
Profit after taxation and attributable to equity holders of the parent		<u>1,223,621</u>	<u>715,727</u>
Earnings per share	7		
Basic		<u>Rmb 0.413</u>	<u>Rmb 0.242</u>
Diluted		<u>Rmb 0.413</u>	<u>Rmb 0.241</u>

The notes on pages 35 to 44 form part of this interim financial report.

Consolidated balance sheet (unaudited)

At 30 June 2005

(Expressed in Renminbi)

		At 30 June 2005	At 31 December 2004
	<i>Note</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Non-current assets			
Property, plant and equipment		6,663,734	6,908,076
Intangible assets		25,230	26,699
Construction in progress	8	1,666,219	611,498
Lease prepayments		319,571	323,234
Investment in associates		28,849	30,803
Other investments		10,500	10,500
Deferred tax assets		54,302	54,999
		<u>8,768,405</u>	<u>7,965,809</u>
Current assets			
Inventories		2,907,911	2,221,412
Amounts due from fellow subsidiaries		198,665	304,561
Trade receivables	9	1,866,111	1,554,515
Prepayments, deposits and other receivables		180,028	105,504
Deposits with banks		210,000	934,450
Cash and cash equivalents	10	612,382	1,813,683
		<u>5,975,097</u>	<u>6,934,125</u>
Current liabilities			
Trade payables	11	364,567	446,278
Income tax payable		119,248	244,082
Amount due to ultimate holding company		7,575	463
Amounts due to fellow subsidiaries		368,007	73,803
Other payables		1,424,366	1,661,440
Convertible debentures		—	3,510
Short-term bank loans		1,278,534	1,203,534
		<u>3,562,297</u>	<u>3,633,110</u>
Net current assets		<u>2,412,800</u>	<u>3,301,015</u>
Total assets less current liabilities carried forward		<u>11,181,205</u>	<u>11,266,824</u>

The notes on pages 35 to 44 form part of this interim financial report.

Consolidated balance sheet (unaudited) (continued)

At 30 June 2005

(Expressed in Renminbi)

	Note	At 30 June 2005 Rmb'000	At 31 December 2004 Rmb'000
Total assets less current liabilities brought forward		11,181,205	11,266,824
Non-current liabilities			
Bank loans		824,280	1,244,548
Net assets		<u>10,356,925</u>	<u>10,022,276</u>
Capital and reserves			
Share capital	12	2,962,986	2,962,942
Share premium	12	3,057,638	3,057,296
Reserves		973,904	974,167
Retained profits		<u>3,362,397</u>	<u>3,027,871</u>
Total equity attributable to equity holders of the parent		<u>10,356,925</u>	<u>10,022,276</u>

Approved and authorised for issue by the board of directors on 12 August 2005

Liu Jie
Chairman

Fu Jihui
Director

The notes on pages 35 to 44 form part of this interim financial report.

Consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2005

(Expressed in Renminbi)

		Share capital	Share premium	Reserves	Retained profits	Total equity attributable to equity holders of the parent
	Note	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2004		2,962,309	3,055,920	619,043	2,178,113	8,815,385
Net profit for the period		—	—	—	715,727	715,727
Shares issued upon conversion of convertible debentures	12	539	1,185	(136)	—	1,588
Final dividends - 2003	6	—	—	—	(592,563)	(592,563)
Deferred tax released upon conversion of convertible debentures		—	—	14	—	14
At 30 June 2004		<u>2,962,848</u>	<u>3,057,105</u>	<u>618,921</u>	<u>2,301,277</u>	<u>8,940,151</u>
At 1 January 2005		2,962,942	3,057,296	974,167	3,027,871	10,022,276
Net profit for the period		—	—	—	1,223,621	1,223,621
Shares issued upon conversion of convertible debentures	12	44	342	(263)	—	123
Final dividends - 2004	6	—	—	—	(889,095)	(889,095)
At 30 June 2005		<u>2,962,986</u>	<u>3,057,638</u>	<u>973,904</u>	<u>3,362,397</u>	<u>10,356,925</u>

The notes on pages 35 to 44 form part of this interim financial report.

Condensed consolidated cash flow statement (unaudited)

for the six months ended 30 June 2005

(Expressed in Renminbi)

	<i>Note</i>	Six months ended 30 June	
		2005	2004
		<i>Rmb'000</i>	<i>Rmb'000</i>
Cash flows from operating activities		629,617	(231,101)
Cash flows from investing activities		(593,125)	(860,511)
Cash flows from financing activities		<u>(1,237,793)</u>	<u>(392,804)</u>
Net decrease in cash and cash equivalents		(1,201,301)	(1,484,416)
Cash and cash equivalents at 1 January	10	1,813,683	2,316,976
Effect of exchange rate fluctuations on cash held		<u>—</u>	<u>720</u>
Cash and cash equivalents at 30 June	10	<u><u>612,382</u></u>	<u><u>833,280</u></u>

The notes on pages 35 to 44 form part of this interim financial report.

Notes on the interim financial report (unaudited)

for the six months ended 30 June 2005

(Expressed in Renminbi)

1 Basis of preparation

This interim financial report is unaudited but has been reviewed by the Audit Committee of the company.

This 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" adopted 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.

This 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 group since the 2004 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 include IAS and related interpretations.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements. The adoption of the new and revised IFRSs will not constitute a change in accounting policies of the group.

IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the group's annual financial statements for the year ending 31 December 2005, on the basis of IFRSs currently in issue.

1 Basis of preparation (*continued*)

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2005 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The financial information relating to the financial year ended 31 December 2004 that is included in the interim financial report does not constitute the group's annual financial statements for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2004 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 March 2005.

2 Segment reporting

The group operates principally as a single business segment for the production and sales of steel products. Segment revenue based on the geographical location of customers are as follows:

	Six months ended 30 June	
	2005	2004
	<i>Rmb'000</i>	<i>Rmb'000</i>
Revenue		
PRC	11,267,733	8,632,053
Other countries	2,910,032	1,251,268
	<u>14,177,765</u>	<u>9,883,321</u>

All of the group's assets are in the People's Republic of China ("PRC").

3 Turnover

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

4 Profit before taxation

Profit before taxation is arrived at after charging / (crediting):

	Six months ended 30 June	
	2005	2004
	<i>Rmb'000</i>	<i>Rmb'000</i>
Interest and other borrowing costs	66,449	74,213
Less: amount capitalised as construction in progress	<u>(12,412)</u>	<u>(16,211)</u>
Net interest expenses	54,037	58,002
Interest income	(11,513)	(12,045)
Amortisation of lease prepayments and intangible assets	5,132	3,567
Depreciation	417,539	372,282
Loss on disposals of property, plant and equipment	230	—
Write-back of inventories	<u>(1,796)</u>	<u>(7,823)</u>

5 Income tax expense

Income tax expense in the consolidated income statement represents:

	Six months ended 30 June	
	2005	2004
	<i>Rmb'000</i>	<i>Rmb'000</i>
Current tax expense - PRC income tax	529,987	358,351
Deferred taxation	<u>697</u>	<u>9,721</u>
	<u>530,684</u>	<u>368,072</u>

The provision for PRC income tax is calculated at 33% (six months ended 30 June 2004: 33%) of the estimated assessable profits for the period determined in accordance with relevant income tax rules and regulations in the PRC.

6 Dividends

Dividends attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2005	2004
	<i>Rmb'000</i>	<i>Rmb'000</i>
Final dividends in respect of the financial year ended 31 December 2004, approved and paid during the following interim period, of Rmb30 cents per share (year ended 31 December 2003: Rmb20 cents per share)	889,095	592,563

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: RmbNil).

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of Rmb1,223,621,000 (six months ended 30 June 2004: Rmb715,727,000) and the weighted average number of shares in issue during the six months ended 30 June 2005 of 2,962,963,972 (six months ended 30 June 2004: 2,962,638,667).

(b) Diluted earnings per share

At 30 June 2005, there were no dilutive potential ordinary shares in existence as all the convertible debentures have been converted into the company's A shares or settled prior to the end of the period.

At 30 June 2004, the calculation of diluted earnings per share was based on the profit attributable to equity holders of the parent of Rmb715,727,000 and the weighted average number of shares in issue during the period of 2,963,899,723 after adjusting for the effects of conversion of remaining convertible debentures.

8 Construction in progress

The acquisitions and transfer of items of construction in progress during the six months ended 30 June 2004 and 2005 are as follows:

	Six months ended 30 June	
	2005	2004
	<i>Rmb'000</i>	<i>Rmb'000</i>
Additions	1,234,508	87,283
Transfer to property, plant and equipment	<u>(179,787)</u>	<u>(977,776)</u>

9 Trade receivables

	At	At
	30 June	31 December
	2005	2004
	<i>Rmb'000</i>	<i>Rmb'000</i>
Accounts receivable	472,609	128,647
Bills receivable	<u>1,393,502</u>	<u>1,425,868</u>
	<u>1,866,111</u>	<u>1,554,515</u>

The ageing analysis of trade receivables is as follows:

	At	At
	30 June	31 December
	2005	2004
	<i>Rmb'000</i>	<i>Rmb'000</i>
Less than 3 months	1,789,135	1,164,599
More than 3 months but less than 12 months	<u>76,976</u>	<u>389,916</u>
	<u>1,866,111</u>	<u>1,554,515</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 three months is only available for certain major customers with well-established trading records.

10 Cash and cash equivalent

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

11 Trade payables

	At 30 June 2005 <i>Rmb'000</i>	At 31 December 2004 <i>Rmb'000</i>
Accounts payable	166,592	225,379
Bills payable	197,975	220,899
	<u>364,567</u>	<u>446,278</u>

The ageing analysis of trade payables is as follows:

	At 30 June 2005 <i>Rmb'000</i>	At 31 December 2004 <i>Rmb'000</i>
Due on demand	150,045	191,955
Due within 3 months	115,918	147,304
Due after 3 months but within 6 months	98,604	107,019
	<u>364,567</u>	<u>446,278</u>

12 Shares issued

During the six months ended 30 June 2005, 43,451 (six months ended 30 June 2004: 538,913) A shares were issued upon the conversion of convertible debentures with total carrying value of Rmb386,000 (six months ended 30 June 2004: Rmb1,724,000) made up as follows:

	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>
Liability component	123	1,588
Equity component	263	136
	<u>386</u>	<u>1,724</u>

During the six months ended 30 June 2005, the balance of Rmb342,000 (six months ended 30 June 2004: Rmb1,185,000) was credited to share premium account.

13 Commitments

- (a) The Group had capital commitments outstanding as at 30 June 2005 not provided for in the consolidated financial statements as follows:

	At 30 June 2005 Rmb'000	At 31 December 2004 Rmb'000
Authorised and contracted for:		
— Construction projects of production lines	1,475,388	458,774
— Investment in a joint venture	170,000	170,000
— Acquisition of a subsidiary (note)	18,022,400	—
Authorised but not contracted for:		
— Improvement projects of production lines	1,170,204	3,363,421
	<u>20,837,992</u>	<u>3,992,195</u>

Note: Pursuant to an acquisition agreement dated 29 December 2004 entered into between the company and Anshan Iron & Steel Group Complex ("Angang Holding", its ultimate holding company), the company agreed to acquire from Angang Holding the entire equity interest of Angang New Steel and Iron Company ("ANSI", its fellow subsidiary), at a consideration of Rmb18,022,400,000. The acquisition has been approved by the independent shareholders at an extraordinary general meeting held on 28 February 2005. The company is in the process of obtaining the approval of the relevant regulatory authorities in the PRC for the completion of the acquisition.

The consideration is based on the net asset value of ANSI as at 31 August 2004 as assessed by a valuer, and to be adjusted by the net profit of ANSI between 1 September 2004 and the completion date and other terms as set out in the agreement.

- (b) In October 2002, ANSC-TKS Galvanizing Co., Ltd, the jointly controlled entity of the company, ("ANSC-TKS"), entered into a loan facility of Rmb1,080,000,000 (the "Syndicated Loan") for the construction of production line. The Syndicated Loan is secured by the land use rights; construction in progress; property, plant and equipment and trade receivables of ANSC-TKS at carrying amount of Rmb1,083,369,000 at 30 June 2005 (31 December 2004: Rmb1,183,702,000).

The company pledged its equity interest in ANSC-TKS to secure the performance of the obligations of ANSC-TKS under the loan agreement.

13 Commitments (*continued*)

The drawdown of the Syndicated Loan at 30 June 2005 amounted to Rmb1,010,700,000 (31 December 2004: Rmb1,010,700,000).

Pursuant to the funding supporting agreement dated 22 October 2002, the company committed to finance ANSC-TKS if it does not have sufficient funds to complete the construction of the galvanising plant, repay the Syndicated Loan or finance the operations. The commitment is limited to US\$8,000,000 and will be reduced to US\$4,000,000 after the tenth repayment date.

14 Related party transactions

The following is a summary of significant transactions carried out between the group, Angang Shenyang Steel Product Processing And Distribution Company Limited ("Angang Shenyang", its associate and a subsidiary of Angang Holding) and Angang Holding and its business undertakings ("Angang Group", including ANSI) during the period.

(a) Significant transactions and balances with Angang Group

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

	Six months ended 30 June	
	2005	2004
	Rmb'000	Rmb'000
Sales of finished goods	1,244,073	1,214,287
Return of scrap materials	400,616	183,965
Purchases of		
— raw materials	10,399,046	7,583,771
— ancillary materials and spare parts	82,758	49,481
Utility supplies	183,917	175,391
Fees paid for welfare and other support services	241,062	79,451
Interest received	2,709	2,267
Material processing services	79,190	32,649

- (ii) Bank loans

As at 30 June 2005, certain bank loans amounted to Rmb1,663,000,000 (31 December 2004: Rmb1,963,000,000) were guaranteed by Angang Holding.

14 Related party transactions (*continued*)

(a) Significant transactions and balances with Angang Group (*continued*)

(iii) Amount due to ultimate holding company

Amount due to ultimate holding company mainly represents fees payable for support services.

The amount due to ultimate holding company 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 company 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) Acquisition of ANSI and the Supply and Materials and Services Agreement

On 29 December 2004, the company agreed to acquire the entire equity interest of ANSI from Angang Holding. In connection with the acquisition of ANSI, the company entered into the Supply of Materials and Services Agreement with Angang Holding on 29 December 2004, which will be effective upon the completion of the acquisition.

(b) Significant transactions with ANSC-TKS

(i) The company sold finished products amounted to Rmb934,345,000 (six months ended 30 June 2004: Rmb294,406,000) to ANSC-TKS for further processing.

(ii) ANSC-TKS purchased raw materials from and sold finished products to ThyssenKrupp Stahl AG ("TKSAG") (joint venturer of ANSC-TKS). The sales and purchases during the period were amounted to Rmb287,812,000 (six months ended 30 June 2004: RmbNil) and Rmb35,699,000 (six months ended 30 June 2004: RmbNil) respectively, of which Rmb143,906,000 and Rmb17,850,000 (six months ended 30 June 2004: Rmb: Nil and Rmb: Nil) have been included in the sales and cost of sales of the group's consolidated financial statements respectively.

14 Related party transactions (*continued*)**(b) Significant transactions with ANSC-TKS (*continued*)****(iii) Equity interest in ANSC-TKS**

The company pledged its equity interest in ANSC-TKS to secure the performance of the obligation of ANSC-TKS under the agreement of the Syndicated Loan.

The company also committed to finance ANSC-TKS if it does not have sufficient funds to complete the construction of the galvanising plant, repay the Syndicated Loan or finance the operations. The commitment is limited to US\$8,000,000 and will be reduced to US\$4,000,000 after the tenth repayment date.

(c) Transactions with other state-owned enterprises

The company is part of a larger group of companies under Angang Holding, which itself is owned by the PRC government. The group also conducts business with other enterprises directly or indirectly owned or controlled by the PRC government ("State-owned enterprises"). The related party transactions as disclosed above only refer to transactions with Angang Holding and enterprises which are under common control of Angang Holding. The transactions with other State-owned enterprises are conducted in the ordinary course of business and under normal commercial terms and as such the group believes that meaningful disclosure of related party transactions has been provided in the above.

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

Consolidated Balance Sheet (unaudited)

At 30 June 2005

(Expressed in Thousand Renminbi)

Assets	Note	At 30 June 2005	At 31 December 2004 <i>(audited)</i>
Current assets			
Cash at bank and in hand	6	822,382	2,748,133
Bills receivable	7	1,393,502	1,425,868
Trade receivables	8	658,357	641,013
Other receivables	9	17,130	11,056
Prepayments	10	76,103	217,437
Inventories	11	2,907,911	2,221,412
Deferred expenses	12	1,290	492
Total current assets		<u>5,876,675</u>	<u>7,265,411</u>
Long-term equity investments	13	39,349	41,303
Fixed assets			
Fixed assets, at cost	14	11,316,345	11,146,973
Less: Accumulated depreciation		<u>(4,483,153)</u>	<u>(4,067,194)</u>
Net book value of fixed assets		6,833,192	7,079,779
Construction in progress	15	1,666,025	611,746
Total fixed assets		<u>8,499,217</u>	<u>7,691,525</u>
Intangible assets and other assets			
Intangible assets	16	339,912	345,072
Long-term deferred expenses	17	178	17
Total intangible assets and other assets		<u>340,090</u>	<u>345,089</u>
Total assets		<u><u>14,755,331</u></u>	<u><u>15,343,328</u></u>

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Consolidated Balance Sheet (unaudited) (continued)

At 30 June 2005

(Expressed in Thousand Renminbi)

Liabilities and shareholders' funds	Note	At 30 June 2005	At 31 December 2004 <i>(audited)</i>
Current liabilities			
Short-term loans	18	75,000	100,000
Bills payable	19	197,975	220,899
Trade payables	20	378,616	286,744
Receipts in advance	21	1,241,066	1,554,986
Accrued payroll	22	53,115	61,938
Staff welfare payable		23,759	19,418
Taxes payable	3(d)	22,311	262,520
Other payables	23	237,734	344,094
Accrued expenses	24	30,765	7,002
Current portion of long-term liabilities	25	1,203,534	1,107,237
Total current liabilities		3,463,875	3,964,838
Long-term liabilities			
Long-term loans	26	824,280	1,244,548
Total liabilities		4,288,155	5,209,386

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Consolidated Balance Sheet (unaudited) (continued)

At 30 June 2005

(Expressed in Thousand Renminbi)

Liabilities and shareholders' funds	Note	At 30 June 2005	At 31 December 2004 <i>(audited)</i>
Shareholders' funds			
Share capital	28	2,962,986	2,962,942
Capital reserve	29	3,085,000	3,084,915
Surplus reserves (including statutory public welfare fund of Rmb562,930,000 (2004: Rmb562,930,000)	30	1,125,860	1,125,860
Undistributed profits (including dividend proposed after the balance sheet date of Rmb888,883,000 in 2004)	31	<u>3,293,330</u>	<u>2,960,225</u>
Total shareholders' funds		<u>10,467,176</u>	<u>10,133,942</u>
Total liabilities and shareholders' funds		<u>14,755,331</u>	<u>15,343,328</u>

These financial statements have been approved by the board of directors on 12 August 2005.

Liu Jie
Chairman

Ma Lianyong
Chief Accountant

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Balance Sheet (unaudited)

At 30 June 2005

(Expressed in Thousand Renminbi)

Assets	<i>Note</i>	At 30 June 2005	At 31 December 2004 <i>(audited)</i>
Current assets			
Cash at bank and in hand	6	763,630	2,705,059
Bills receivable	7	1,393,502	1,425,868
Trade receivables	8	701,784	569,082
Other receivables	9	11,216	5,653
Prepayments	10	68,967	209,670
Inventories	11	2,731,878	2,068,827
Total current assets		<u>5,670,977</u>	<u>6,984,159</u>
Long-term equity investments	13	244,899	237,199
Fixed assets			
Fixed assets, at cost	14	10,767,346	10,601,802
Less: Accumulated depreciation		<u>(4,426,247)</u>	<u>(4,033,116)</u>
Net book value of fixed assets		6,341,099	6,568,686
Construction in progress	15	1,664,579	611,316
Total fixed assets		<u>8,005,678</u>	<u>7,180,002</u>
Intangible assets and other assets			
Intangible assets	16	301,842	305,828
Total assets		<u><u>14,223,396</u></u>	<u><u>14,707,188</u></u>

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Balance Sheet (unaudited) (continued)

At 30 June 2005

(Expressed in Thousand Renminbi)

Liabilities and shareholders' fund	Note	At 30 June 2005	At 31 December 2004 (audited)
Current liabilities			
Bills payable	19	197,975	220,899
Trade payables	20	367,971	282,135
Receipts in advance	21	1,227,033	1,523,443
Accrued payroll	22	53,115	61,938
Staff welfare payable		23,756	19,418
Taxes payable	3(d)	35,988	274,508
Other payables	23	165,373	224,202
Accrued expenses	24	18,821	—
Current portion of long-term liabilities	25	1,163,000	1,066,703
Total current liabilities		3,253,032	3,673,246
Long-term liabilities			
Long-term loans	26	500,000	900,000
Total liabilities		3,753,032	4,573,246

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Balance Sheet (unaudited) (continued)

At 30 June 2005

(Expressed in Thousand Renminbi)

Liabilities and shareholders' fund	Note	At 30 June 2005	At 31 December 2004 <i>(audited)</i>
Shareholders' funds			
Share capital	28	2,962,986	2,962,942
Capital reserve	29	3,085,000	3,084,915
Surplus reserves (including statutory public welfare fund of Rmb562,930,000 (2004: Rmb562,930,000)	30	1,125,860	1,125,860
Undistributed profits (including dividend proposed after the balance sheet date of Rmb888,883,000 in 2004)	31	<u>3,296,518</u>	<u>2,960,225</u>
Total shareholders' funds		<u>10,470,364</u>	<u>10,133,942</u>
Total liabilities and shareholders' funds		<u>14,223,396</u>	<u>14,707,188</u>

These financial statements have been approved by the board of directors on 12 August 2005.

Liu Jie
Chairman

Ma Lianyong
Chief Accountant

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Consolidated Income Statement and Profit Appropriation Statement (unaudited)

For the six months ended 30 June 2005
(Expressed in Thousand Renminbi)

	Note	Six months ended 30 June	
		2005	2004
Income from principal operations	32	14,203,638	9,889,855
Less: Cost of sales	33	12,054,757	8,484,009
Business tax and surcharges	34	25,873	6,534
Profit from principal operations		2,123,008	1,399,312
Add: Other operating profit	35	47,686	40,049
Less: Operating expenses	36	227,992	170,538
Administrative expenses		159,982	167,216
Financial expenses	37	30,098	47,273
Operating profit		1,752,622	1,054,334
Add: Investment (loss) / income	38	(554)	65
Non-operating income		761	18
Less: Non-operating expenses	39	642	81
Total profit		1,752,187	1,054,336
Less: Income tax expense	3(b)	529,987	358,351
Net profit		<u>1,222,200</u>	<u>695,985</u>

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

**Consolidated Income Statement and Profit Appropriation Statement
(unaudited) (continued)**

For the six months ended 30 June 2005
(Expressed in Thousand Renminbi)

	Note	Six months ended 30 June	
		2005	2004
Net profit		1,222,200	695,985
Add: Undistributed profits at the beginning of the period		2,960,225	2,131,717
Distributable profits		4,182,425	2,827,702
Less: Dividends		889,095	592,563
Undistributed profits at the end of the period		<u>3,293,330</u>	<u>2,235,139</u>

Additional information:

Item	Six months ended 30 June	
	2005	2004
1. Proceeds from the sale and disposal of divisions or invested entities	—	—
2. Losses arising from natural disasters	—	—
3. Increase (or decrease) in total profits due to the changes in accounting policies	—	—
4. Increase (or decrease) in total profits due to the changes in accounting estimates	—	—
5. Gains (or losses) arising from debt restructuring	—	—
6. Others	—	—

These financial statements have been approved by the board of directors on 12 August 2005.

Liu Jie
Chairman

Ma Lianyong
Chief Accountant

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Income Statement and Profit Appropriation Statement (unaudited)

For the six months ended 30 June 2005

(Expressed in Thousand Renminbi)

	<i>Note</i>	Six months ended 30 June	
		2005	2004
Income from principal operations	32	14,078,272	9,856,630
Less: Cost of sales	33	11,955,575	8,462,469
Business tax and surcharges	34	25,873	6,534
		<hr/>	<hr/>
Profit from principal operations		2,096,824	1,387,627
Add: Other operating profit	35	47,050	39,239
Less: Operating expenses	36	223,435	168,363
Administrative expenses		152,036	129,400
Financial expenses	37	22,260	43,127
		<hr/>	<hr/>
Operating profit		1,746,143	1,085,976
Add: Investment income / (loss)	38	9,100	(31,577)
Non-operating income		761	18
Less: Non-operating expenses	39	629	81
		<hr/>	<hr/>
Total profit		1,755,375	1,054,336
Less: Income tax expense	3(b)	529,987	358,351
		<hr/>	<hr/>
Net profit		<u>1,225,388</u>	<u>695,985</u>

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Income Statement and Profit Appropriation Statement (unaudited)
(continued)

For the six months ended 30 June 2005
(Expressed in Thousand Renminbi)

	Note	Six months ended 30 June	
		2005	2004
Net Profit		1,225,388	695,985
Add: Undistributed profits at the beginning of the period		2,960,225	2,131,717
Distributable profits		4,185,613	2,827,702
Less: Dividends		889,095	592,563
Undistributed profits at the end of the period		<u>3,296,518</u>	<u>2,235,139</u>

Additional information:

Item	Six months ended 30 June	
	2005	2004
1. Proceeds from the sale and disposal of divisions or invested entities	—	—
2. Losses arising from natural disasters	—	—
3. Increase (or decrease) in total profits due to the changes in accounting policies	—	—
4. Increase (or decrease) in total profits due to the changes in accounting estimates	—	—
5. Gains (or losses) arising from debt restructuring	—	—
6. Others	—	—

These financial statements have been approved by the board of directors on 12 August 2005.

Liu Jie
Chairman

Ma Lianyong
Chief Accountant

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Consolidated Cash Flow Statement (unaudited)

For the six months ended 30 June 2005
(Expressed in Thousand Renminbi)

	Note to the consolidated cash flow statement	Six months ended 30 June 2005
Cash flows from operating activities:		
Cash received from sale of goods		15,447,487
Refund of taxes		138,026
Cash received in relation to other operating activities		132
		<u>15,585,645</u>
Sub-total of cash inflows		<u>15,585,645</u>
Cash paid for goods		(13,804,667)
Cash paid to and on behalf of employees		(173,421)
Taxes paid		(816,355)
Cash paid in relation to other operating activities		(113,813)
		<u>(14,908,256)</u>
Sub-total of cash outflows		<u>(14,908,256)</u>
Net cash flow from operating activities	(a)	<u>677,389</u>
Cash flows from investing activities:		
Net proceeds from the disposal of fixed assets		510
Cash received in relation to other investing activities		15,314
		<u>15,824</u>
Sub-total of cash inflows		<u>15,824</u>

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Consolidated Cash Flow Statement (unaudited) (continued)

For the six months ended 30 June 2005

(Expressed in Thousand Renminbi)

	Note to the consolidated cash flow statement	Six months ended 30 June 2005
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		(1,320,853)
Cash paid in relation to other investing activities		<u>(1,092)</u>
Sub-total of cash outflows		<u>(1,321,945)</u>
Net cash flow from investing activities		<u>(1,306,121)</u>
Cash flows from financing activities:		
Proceeds from loans		<u>25,000</u>
Sub-total of cash inflows		<u>25,000</u>
Repayment of loans		(373,698)
Cash paid for dividends or interest payment		(955,108)
Cash paid in relation to other financing activities		<u>(228)</u>
Sub-total of cash outflows		<u>(1,329,034)</u>
Net cash flow from financing activities		<u>(1,304,034)</u>
Effect of exchange rate fluctuations on cash held		<u>7,015</u>
Net increase in cash and cash equivalents	(c)	<u><u>(1,925,751)</u></u>

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Consolidated Cash Flow Statement (unaudited) (continued)

For the six months ended 30 June 2005
(Expressed in Thousand Renminbi)

Six months ended
30 June 2005

Notes to the consolidated cash flow statement**(a) Reconciliation of net profit to cash flows from operations:**

Net profit	1,222,200
Add: Bad debt provision	(3)
Write back of inventory provision	(1,796)
Depreciation of fixed assets	417,539
Amortisation of intangible assets	6,193
Loss on disposal of fixed assets	230
Increase in deferred expenses	(798)
Increase in accrued expenses	23,763
Financial expenses	30,098
Investment loss	554
Increase in inventories	(684,703)
Decrease in operating receivables	59,071
Decrease in operating payables	(394,959)
Net cash flow from operating activities	<u>677,389</u>

(b) Non-cash transactions of investing and financing activities:

Conversion of convertible debentures to A shares	<u>123</u>
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(c) Net increase in cash and cash equivalents:

Cash at the end of the period	822,382
Less: Cash at the beginning of the period	2,748,133
Add: Cash equivalents at the end of the period	—
Less: Cash equivalents at the beginning of the period	—
Net increase in cash and cash equivalents	<u>(1,925,751)</u>

These financial statements have been approved by the board of directors on 12 August 2005.

Liu Jie
Chairman

Ma Lianyong
Chief Accountant

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Cash Flow Statement (unaudited)

For the six months ended 30 June 2005
(Expressed in Thousand Renminbi)

	Note to the cash flow statement	Six months ended 30 June 2005
Cash flows from operating activities:		
Cash received from sales of goods		15,242,381
Refund of taxes		122,675
		<hr/>
Sub-total of cash inflows		15,365,056
		<hr/>
Cash paid for goods		(13,714,589)
Cash paid to and on behalf of employees		(168,301)
Taxes paid		(815,603)
Cash paid in relation to other operating activities		(103,165)
		<hr/>
Sub-total of cash outflows		(14,801,658)
		<hr/>
Net cash flow from operating activities	(a)	563,398
		<hr/>
Cash flows from investing activities:		
Net proceeds from the disposal of fixed assets		437
Cash received in relation to other investing activities		14,741
		<hr/>
Sub-total of cash inflows		15,178
		<hr/>
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		(1,281,443)
		<hr/>
Sub-total of cash outflows		(1,281,443)
		<hr/>
Net cash flow from investing activities		(1,266,265)
		<hr/>

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Cash Flow Statement (unaudited) (continued)

For the six months ended 30 June 2005
(Expressed in Thousand Renminbi)

	Note to the cash flow statement	Six months ended 30 June 2005
Cash flow from financing activities:		
Repayment of loans		(303,430)
Cash paid for dividends or interest payment		(941,201)
Cash paid in relation to other financing activities		(228)
		<u> </u>
Sub-total of cash outflows		<u> </u> <u> </u> <u> </u>
Net cash flow from financing activities		<u> </u> <u> </u> <u> </u>
Effect of exchange rate fluctuations on cash held		<u> </u> <u> </u> <u> </u>
Net decrease in cash and cash equivalents	(c)	<u> </u> <u> </u> <u> </u>

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Cash Flow Statement (unaudited) (continued)

For the six months ended 30 June 2005
(Expressed in Thousand Renminbi)

Six months ended
30 June 2005

Notes to the cash flow statement**(a) Reconciliation of net profit to cash flows from operations:**

Net profit	1,225,388
Add: Bad debt provision	(3)
Depreciation of fixed assets	394,632
Amortisation of intangible assets	3,986
Loss on disposal of fixed assets	217
Increase in accrued expenses	18,821
Financial expenses	22,260
Investment income	(9,100)
Increase in inventories	(663,051)
Decrease in operating receivables	35,755
Decrease in operating payables	(465,507)
Net cash flow from operating activities	<u>563,398</u>

(b) Non-cash transactions of investing and financing activities:

Conversion of convertible debentures to A shares	<u>123</u>
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(c) Net decrease in cash and cash equivalents:

Cash at the end of the period	763,630
Less: Cash at the beginning of the period	2,705,059
Add: Cash equivalents at the end of the period	—
Less: Cash equivalents at the beginning of the period	—
Net decrease in cash and cash equivalents	<u>(1,941,429)</u>

These financial statements have been approved by the board of directors on 12 August 2005.

Liu Jie
Chairman

Ma Lianyong
Chief Accountant

The accompanying notes on pages 61 to 112 form an integral part of these financial statements.

Notes on the Financial Statements

For the six months ended 30 June 2005
(Expressed in Thousand Renminbi)

1. STATUS OF THE COMPANY

Angang New Steel Company Limited (the "Company") was formally established on 8 May 1997 as a joint stock limited company.

The Company was established as a joint stock limited company under the Company Law of the People's Republic of China ("PRC"), with Anshan Iron & Steel Group Complex ("Angang Holding") as the sole promoter, pursuant to the approval document Tigaisheng [1997] No. 62 "Reply to the Approval of the Establishment of Angang New Steel Company Limited" issued by the State Commission for Economic Restructuring of the PRC. The Company took over the businesses of the Wire Rod Plant, the Thick Plate Plant, and the Cold Rolling Plant (collectively referred to as the "Plants") of Angang Holding. According to the Division Agreement which took effect from 1 January 1997, Angang Holding transferred the production, sales, research and development, administration activities of the Plants together with the relevant assets and liabilities as at 31 December 1996 as its contribution to the Company. The above net assets were converted into 1,319,000,000 shares of the Company of Rmb1.00 each.

The Company issued 890,000,000 ordinary H shares ("H shares") with a par value of Rmb1.00 each on 22 July 1997 which were subsequently listed on The Stock Exchange of Hong Kong Limited on 24 July 1997. The Company also issued 300,000,000 ordinary A shares ("A shares") with a par value of Rmb1.00 each on 16 November 1997 which were subsequently listed on the Shenzhen Stock Exchange on 25 December 1997.

On 9 January 2002, the Company entered into a joint venture agreement and a technology transfer agreement to establish ANSC-TKS Galvanizing Co. Ltd ("ANSC-TKS") with ThyssenKrupp Stahl AG ("Thyssen"). The Company holds 50% interests in ANSC-TKS, whose registered capital amounted to US\$60,000,000.

On 22 November 2004, the Company entered into a joint venture agreement with Dalian Xinchuan Heavy Industries Company Limited ("Xinchuan") to set up ANSC - Xinchuan Heavy Industries Dalian Steel Product Processing and Distribution Company Limited ("ANSC-Xinchuan"). As at 30 June 2005, the registered capital of ANSC-Xinchuan amounted to Rmb40,000,000, of which Rmb20,000,000, or 50%, was injected by the Company.

The principal activities of the Company, ANSC-TKS and ANSC-Xinchuan (collectively referred to as the "Group") are the production and sale of steel billets, wire rods, thick plates, cold rolled sheets, large section steel, hot dip galvanised steel and alloy steel plates, the sub-processing of steel products, and the manufacturing, distribution and sales of structural steel.

1. STATUS OF THE COMPANY (continued)

Pursuant to an agreement “Acquisition Agreement regarding 100% Equity Interests in Angang New Steel and Iron Company Limited” (“acquisition agreement”) dated 29 December 2004 entered into between the Company and Angang Holding, the Company proposed to acquire the entire equity interest of Angang New Steel and Iron Company Limited which has been reorganised in accordance with Angang Holding Gangzhengfa [2004] No. 22 “Notice regarding the reorganisation of Angang New Steel and Iron Company Limited”. The acquisition was approved by the independent shareholders at an extraordinary general meeting held on 28 February 2005. Further information is set out in Note 42.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in the preparation of the financial statements conform with the relevant requirements of the Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the PRC.

(a) Accounting period

The accounting year of the Group is from 1 January to 31 December.

(b) Preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with the Accounting Regulations for Business Enterprises and the Interim Provisions on Consolidated Financial Statements (Caikuaizi [1995] No. 11) issued by the Ministry of Finance.

The consolidated financial statements include the financial statements of the Company and its joint ventures.

For the jointly controlled entity which the Company has joint control with other investors under contractual agreement, the Company consolidates the assets, liabilities, revenues, costs and expenses of its joint ventures using the proportionate consolidation method, including the Group’s proportionate share of the joint ventures’ assets, liabilities, revenues, costs and expenses with items of a similar nature on a line by line basis in the preparation of the consolidated financial statements.

When the accounting policies of jointly controlled entity are different from those of the Company, they will be adjusted according to the Company’s accounting policies in the consolidated financial statements. Material group transactions, including any unrealised gains and intragroup balances, are eliminated in consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Accounting basis and measurement principle

The financial statements of the Group have been prepared on an accrual basis, with the historical cost method as the measurement principle, unless otherwise stated.

(d) Reporting currency

The reporting currency of the Group is Renminbi.

(e) Translation of foreign currencies

Foreign currency transactions are translated into Renminbi at the exchange rates quoted by the People's Bank of China and other recognised exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates quoted by the People's Bank of China and other recognised exchange rates ruling at the balance sheet date. Except for the exchange gains and losses directly relating to the purchase or construction of fixed assets (including exchange gains and losses arising from loans used to finance the construction of fixed assets) (note 2(j)), exchange gains and losses on foreign currency translation are dealt with in the income statement of the current period.

Exchange differences arising during the start-up period are aggregated into the long-term deferred expenses and are then fully charged to the income statement in the month of commencement of operations.

(f) Cash equivalents

Cash equivalents are short-term, highly liquid investments of the Group which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Bad debt provision

Trade receivables showing signs of uncollectibility are identified individually and bad debt provision is then made based on the probability of being uncollectible. Bad debt provision for other receivables is determined based on the nature and corresponding collectibility by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of inventories includes the costs of purchase, costs of conversion and other costs. Inventories are stated at the cost of purchase computed using the weighted average method. In addition to the actual cost for the purchase of raw materials, the cost of work in progress and finished goods also includes direct labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

Except spare parts, inventory provision is provided at the difference between the cost of individual inventory item and its net realisable value. Spare parts are provided based on the management's assessment. Net realisable value is determined according to the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs and related taxes necessary to make the sale.

Low value consumables, packaging and other materials are expensed when being consumed.

Inventories are recorded by perpetual method.

(i) Long-term equity investments

Long-term investments controlled or jointly controlled by the Company or over which the Company exercises significant influence are accounted for under the equity method. It is initially recorded at cost and adjusted thereafter according to the Company's share of equity interest in the invested entity.

Long-term investments that are not controlled or jointly controlled by the Company, and over which the Company does not exercise significant influence are recorded at cost. Investment income is recognised when the invested entity declares a cash dividend or profit appropriation.

Disposals or transfers of long-term equity investments are recognised in the income statement of the current period based on the difference between the disposal proceeds and the carrying amount of the investments.

A provision for impairment loss of long-term equity investments is made. (refer to Note 2(n)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Fixed assets and construction in progress

Fixed assets represent assets with a useful life of over one year and with a higher unit cost which are held by the Group for production and operation purpose.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment loss (refer to Note 2(n)). Construction in progress is stated in the balance sheet at cost less impairment loss (refer to Note 2(n)).

All direct and indirect costs related to the purchase or construction of fixed assets, incurred before the assets are ready for its intended use, are capitalised as construction in progress. Those costs included borrowing costs, which include foreign exchange gains or losses on specific borrowings for the construction of the fixed assets during the construction period.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use. No depreciation is provided for construction in progress.

Depreciation is provided over the estimated useful life of each asset on a straight-line basis. The respective estimated useful lives and residual values are as follows:

	Estimated useful life	Estimated residual value
Buildings and plants	10 to 40 years	3%
Machinery and equipment	5 to 20 years	3%
Other fixed assets	4 to 15 years	3%

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation and impairment losses (refer to Note 2(n)). Amortisation is provided on a straight-line basis over the estimated useful life, the beneficial period as specified in the related agreement or the grant period as stipulated by law. The respective amortisation periods are as follows:

	Amortisation period
Land use rights	50 years
Acquired software	3 to 10 years
Industrial technology	12 years

(l) Convertible debentures

Convertible debentures are stated at par value. Interest expense is accrued annually and is capitalised as the cost of corresponding construction in progress. Upon the completion of the construction in progress, the interest expense is charged directly to financial expenses of the same period.

Upon conversion, the carrying value of the debenture and the accrued interest is credited to the share capital and capital reserve.

(m) Pre-operating expenses

All the costs incurred during the set up period, except for that incurred for the purchase or construction of fixed assets, are initially recorded as long-term deferred expenses and then fully charged to the income statement in the month when operations commence.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Impairment loss of assets

The carrying amounts of the Group's assets (including long-term equity investments, fixed assets, construction in progress, intangible assets and other assets), other than trade receivables and inventories (refer to Notes 2(g), 2(h)), are reviewed periodically in order to assess whether the recoverable amounts have decreased below the book value. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decrease has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item by item basis and recognised as an expense in the income statement. However, when a deficit between the initial investment cost and the Company's share of the investors' equity of the investee enterprise has been debited to the capital reserve, any impairment losses for long-term equity investment are firstly set off against the difference initially recognised in the capital reserve relating to the investment and any excess impairment losses are then recognised in the income statement.

If there is an indication that there has been a change in the estimates used to determine the recoverable amount and as a result the estimated recoverable amount is greater than the carrying amount of the asset, the impairment loss recognised in prior years is reversed. Reversals of impairment loss are recognised in the income statement. Impairment losses are reversed to the extent of the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. In respect of the reversal of an impairment loss for a long-term equity investment, the reversal starts with the impairment losses that had previously been recognised in the income statement and then the impairment losses that had been charged to capital reserve.

(o) Income tax

Income tax is provided on an accrual basis. The income tax of the Group for the current period is calculated according to the taxable income of the current period and the applicable tax rate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(p) Provisions and contingent liabilities**

Provisions are recognised when the Group has a present obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the obligation is disclosed as a contingent liability.

(q) Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding the receipt of the consideration and the return of goods, or when the revenue and the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

(r) Repairs and maintenance expenses

Repairs and maintenance expenses, including cost of major overhaul, are charged to the income statement of the current period as and when they are incurred.

(s) Research and development costs

Research and development costs are charged to the income statement in the period as and when they are incurred.

(t) Borrowing costs

Specific borrowing costs attributable to the construction of fixed assets are capitalised as the cost of the fixed assets during the construction period until they are ready for their intended use.

Except the above borrowing costs, other borrowing costs are expensed in the income statement in the period in which they are incurred.

(u) Dividend distribution

Cash dividends are included in the income statement and profit appropriation statement when declared. The cash dividends proposed or approved after the balance sheet date but before the issuance of the financial statements are presented separately in the shareholders' funds in the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Retirement benefits

According to PRC government regulations, the Group has entered into government organised defined contribution pension scheme on behalf of its employees. The Group contributes to the scheme based on a certain percentage of employee's wages. Contributions to defined contribution pension scheme are recognised as an expense in the income statement as incurred. Further information is set out in Note 41.

(w) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control and jointly control the party or exercise significant influence over the party, or vice versa, or where the Group and the party or parties are subject to common control or common significant influence. Related parties may be individuals or enterprise.

3. TAXATION

(a) Tax relating to sales of goods applicable to the Group includes value added tax ("VAT"). The VAT rate is 17%.

(b) Income tax

The applicable income tax rate of the current period of the Company is 33% (2004: 33%).

According to Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, the Company's joint venture, ANSC-TKS, is exempt from income tax during its first two profitable years, starting from the first year when ANSC-TKS has a profit after offsetting any previous years' losses. A 50% income tax exemption is granted to ANSC-TKS from the third profitable year to fifth profitable year.

No income tax was provided for the joint venture of the Company, ANSC-Xinchuan, as it had not begun its operations during the period.

(c) Others

The Group is subject to surcharges, including city construction and maintenance tax, education surcharge and local education surcharge, which are computed based on 7%, 3% and 1% of net VAT payable, respectively.

3. TAXATION (continued)

(d) Taxes payable

	The Group		The Company	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
	Rmb'000	Rmb'000 (audited)	Rmb'000	Rmb'000 (audited)
VAT (deductible) / payable	(98,422)	(10,720)	(84,590)	1,369
Income tax payable	119,248	244,082	119,248	244,082
Others	1,485	29,158	1,330	29,057
	<u>22,311</u>	<u>262,520</u>	<u>35,988</u>	<u>274,508</u>

4. JOINT VENTURES AND ASSOCIATES

As at 30 June 2005, particulars of the joint ventures of the Company are set out below:

Name of invested company	Registered capital	% of equity held by the Company	Initial cost of investment	Principal activities
ANSC-TKS	US\$60,000,000	50%	US\$30,000,000	Production and sale of hot dip galvanised steel products
ANSC-Xinchuan	Rmb40,000,000	50%	Rmb20,000,000	Sale, processing, and distribution of steel products

As at 30 June 2005, particulars of the associates of the Company are set out below:

Name of invested company	Registered capital	% of equity held by the Company	Initial cost of investment	Principal activities
Angang Shenyang Steel Product Processing and Distribution Company Limited ("Angang Shenyang")	Rmb48,000,000	30%	Rmb14,400,000	Sale, processing, and distribution of steel products
TKAZ (Changchun) Tailored Blanks Ltd ("TKAZ")	US\$5,000,000	39%	US\$1,950,000	Development, production and sale of tailored blanks

5. SEGMENT REPORTING

The Group operates principally as a single business segment for the production and sales of steel products in the PRC. Certain steel products are exported to other countries and regions. Segment revenue based on the geographical location is set out in Note 44.

6. CASH AT BANK AND IN HAND

The Group

	30 June 2005			31 December 2004		
	Original currency '000	Exchange rate	Rmb / Rmb equivalent '000	Original currency '000	Exchange rate	Rmb / Rmb equivalent '000 (audited)
Cash in hand						
Renminbi			24			14
Euro	—	9.96	3	—	11.26	4
Cash at bank						
Renminbi			599,336			1,795,694
HK Dollars	598	1.06	637	4,056	1.06	4,315
US Dollars	1,239	8.28	10,259	1,179	8.28	9,760
Euro	213	9.96	2,123	346	11.26	3,896
Deposit with bank						
Renminbi			210,000			934,450
			<u>822,382</u>			<u>2,748,133</u>

The Company

Cash in hand						
Renminbi			13			11
Cash at bank						
Renminbi			562,306			1,763,278
HK Dollars	598	1.06	637	4,056	1.06	4,315
US Dollars	—	—	—	91	8.28	753
Euro	68	9.96	674	200	11.26	2,252
Deposit with bank						
Renminbi			200,000			934,450
			<u>763,630</u>			<u>2,705,059</u>

As at 30 June 2005, the Company has cash balance of Rmb228,273,000 deposited with Angang Group Financial Company Limited ("Angang Finance") (31 December 2004: Rmb990,178,000).

7. BILLS RECEIVABLE

All bills receivable held by the Group are bills of acceptance issued by banks which have not been pledged.

Among the balance of bills receivable, no balance is due from a shareholder who holds 5% or more of the Company's voting shares.

8. TRADE RECEIVABLES

	30 June 2005		31 December 2004	
	<i>Rmb'000</i>	%	<i>Rmb'000</i> <i>(audited)</i>	%
The Group				
Within one year	658,357	100	641,013	100
Less: Bad debt provision	—	—	—	—
	<u>658,357</u>	<u>100</u>	<u>641,013</u>	<u>100</u>
The Company				
Within one year	701,784	100	569,082	100
Less: Bad debt provision	—	—	—	—
	<u>701,784</u>	<u>100</u>	<u>569,082</u>	<u>100</u>
	The Group		The Company	
	30 June	31 Dec	30 June	31 Dec
	2005	2004	2005	2004
	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>
Subsidiaries of Angang Holding	185,748	512,366	185,748	512,366
Third parties	472,609	128,647	516,036	56,716
	<u>658,357</u>	<u>641,013</u>	<u>701,784</u>	<u>569,082</u>

8. TRADE RECEIVABLES *(continued)*

No full or substantial provision has been made for individually significant trade receivables as at 30 June 2005, as the management considers that all of them are due within one year and can be fully recovered.

During the period, the Group had no individually significant recovery of trade receivables which had been fully or substantially provided for in prior years.

Trade receivables of the Group as at 30 June 2005 are as follows:

Name of the debtor	Particulars	Amount <i>Rmb'000</i>	Percentage of
			total trade receivables %
Shanghai Qiantong Metal Material Company Limited	Sales of goods	246,156	37
Angang International Trade Company ("AITC")	Export sales	185,748	28
ANSC - TKS	Sales of goods	98,686	15
China Railway Materials Shenyang Company	Sales of goods	51,462	8
ThyssenKrupp Stahl AG	Sales of goods	42,984	7
		<u>625,036</u>	<u>95</u>

As at 30 June 2005, the total trade receivables of the Group's five largest debtors are as follows:

	30 June 2005	31 December 2004 <i>(audited)</i>
Amount (Rmb'000)	<u>625,036</u>	<u>616,424</u>
Percentage of total trade receivables	<u>95%</u>	<u>96%</u>

8. TRADE RECEIVABLES (continued)

The trade receivables of the Company as at 30 June 2005 are as follows:

Name of the debtor	Particulars	Amount Rmb'000	Percentage of
			total trade receivables %
Shanghai Qiantong Metal Material Company Limited	Sales of goods	246,156	35
ANSC - TKS	Sales of goods	197,371	28
AITC	Export Sales	185,748	26
China Railway Materials Shenyang Company	Sales of goods	51,462	8
China Railway Materials Northeast Company Limited	Sales of goods	11,641	2
		<u>692,378</u>	<u>99</u>

As at 30 June 2005, the total trade receivables of the Company's five largest debtors are as follows:

	30 June 2005	31 December 2004 (audited)
Amount (Rmb'000)	<u>692,378</u>	<u>569,082</u>
Percentage of total trade receivables	<u>99%</u>	<u>100%</u>

Among the balance of trade receivables, no balance is due from a shareholder who holds 5% or more of the Company's voting shares.

9. OTHER RECEIVABLES

	The Group		The Company	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
	<i>Rmb'000</i>	<i>Rmb'000</i> (audited)	<i>Rmb'000</i>	<i>Rmb'000</i> (audited)
Subsidiaries of Angang Holding	40	719	40	719
Third parties	17,090	10,340	11,176	4,937
Less: Bad debt provision	—	(3)	—	(3)
	<u>17,130</u>	<u>11,056</u>	<u>11,216</u>	<u>5,653</u>

Ageing analyses of other receivables are as follows:

The Group	30 June 2005		31 December 2004	
	<i>Rmb'000</i>	%	<i>Rmb'000</i> (audited)	%
Within one year	12,815	75	10,488	95
Between one and two years	4,275	25	141	1
Between two and three years	—	—	—	—
Over three years	40	—	430	4
	<u>17,130</u>	<u>100</u>	<u>11,059</u>	<u>100</u>
Less: Bad debt provision				
Over three years	—	—	(3)	—
	<u>17,130</u>	<u>100</u>	<u>11,056</u>	<u>100</u>
The Company	30 June 2005	31 December 2004		
	<i>Rmb'000</i>	%	<i>Rmb'000</i> (audited)	%
Within one year	11,170	100	5,085	90
Between one and two years	6	—	141	2
Between two and three years	—	—	—	—
Over three years	40	—	430	8
	<u>11,216</u>	<u>100</u>	<u>5,656</u>	<u>100</u>
Less: Bad debt provision				
Over three years	—	—	(3)	—
	<u>11,216</u>	<u>100</u>	<u>5,653</u>	<u>100</u>

9. OTHER RECEIVABLES (*continued*)

	The Group		The Company	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Bad debt provision	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>
Balance at the beginning of the period / year	3	3	3	3
Add: Provision for the period / year	2	212	2	212
Less: Written back for the period / year	<u>(5)</u>	<u>(212)</u>	<u>(5)</u>	<u>(212)</u>
Balance at the end of the period / year	<u>—</u>	<u>3</u>	<u>—</u>	<u>3</u>

As at 30 June 2005, the management considers that most of the other receivables can be recovered and all debtors have the ability to repay the debts; hence, the level of bad debt provision is less than 5%.

During the period, the Group had no individually significant recovery of other receivables which had been fully or substantially provided for in prior years.

9. OTHER RECEIVABLES (continued)

The five largest debtors of other receivables of the Group as at 30 June 2005 are as follows:

Name of the debtor	Particulars	Amount Rmb'000	Percentage of total trade receivables %
Cockerill Mechanical Industries S.A.	Contract compensation	5,089	30
The Industrial and Commercial Bank of China, Angang Branch	Interest receivable	2,102	12
A Fa La Fa Shanghai Technique Co. LTD	Construction payable	676	4
Da Yao Wan Customs	Deposit	314	2
Beijing Ying Da Si Chao Li Ke Industry Electron Co.	Construction payable	169	1
		<u>8,350</u>	<u>49</u>

As at 30 June 2005, the total other receivables of the Group's five largest debtors are as follows:

	30 June 2005	31 December 2004 (audited)
Amount (Rmb'000)	<u>8,350</u>	<u>6,576</u>
Percentage of total other receivables	<u>49%</u>	<u>59%</u>

9. OTHER RECEIVABLES (continued)

The five largest debtors of other receivables of the Company as at 30 June 2005 are as follows:

Name of the debtor	Particulars	Amount Rmb'000	Percentage of total trade receivables %
The Industrial and Commercial Bank of China, Angang Branch	Interest receivable	2,102	19
A Fa La Fa Shanghai Technique Co. LTD	Construction payable	676	6
Beijing Ying Da Si Chao Li Ke Industry Electron Co.	Construction payable	169	2
Shanghai Bo Shi Li Shi Le Hydraulic Pressure & Automatization Co. LTD	Construction payable	135	1
Shenzhen Zheng Wei Chemical Co. LTD	Construction payable	78	1
		<u>3,160</u>	<u>29</u>

As at 30 June 2005, the total other receivables of the Company's five largest debtors are as follows:

	30 June 2005	31 December 2004 (audited)
Amount (Rmb'000)	<u>3,160</u>	<u>2,535</u>
Percentage of total receivables	<u>29%</u>	<u>45%</u>

Among the balance of other receivables, no balance is due from a shareholder who holds 5% or more of the Company's voting shares.

10. PREPAYMENTS

The Group	30 June 2005		31 December 2004	
	<i>Rmb'000</i>	%	<i>Rmb'000</i> <i>(audited)</i>	%
Within one year	<u>76,103</u>	<u>100</u>	<u>217,437</u>	<u>100</u>
The Company				
Within one year	<u>68,967</u>	<u>100</u>	<u>209,670</u>	<u>100</u>
	The Group		The Company	
	30 June 2005	31 Dec 2004	30 June 2005	31 Dec 2004
	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>
Prepayments to Angang New Steel and Iron Company Limited ("ANSI")	12,877	135,251	12,877	135,251
Prepayments to third parties	<u>63,226</u>	<u>82,186</u>	<u>56,090</u>	<u>74,419</u>
	<u>76,103</u>	<u>217,437</u>	<u>68,967</u>	<u>209,670</u>

Among the balance of prepayments, no balance is due from a shareholder who holds 5% or more of the Company's voting shares.

11. INVENTORIES

	The Group		The Company	
	30 June 2005 <i>Rmb'000</i>	31 Dec 2004 <i>Rmb'000</i> <i>(audited)</i>	30 June 2005 <i>Rmb'000</i>	31 Dec 2004 <i>Rmb'000</i> <i>(audited)</i>
Raw materials	779,232	391,675	734,096	357,446
Work in progress	249,356	291,093	249,356	291,093
Finished goods	1,047,127	724,798	947,847	631,453
Spare parts and low value consumables	880,862	864,308	849,045	837,301
	<u>2,956,577</u>	<u>2,271,874</u>	<u>2,780,344</u>	<u>2,117,293</u>
Less: Provision for diminution in value				
— Finished goods	(200)	(1,996)	—	—
— Spare parts	(48,466)	(48,466)	(48,466)	(48,466)
	<u>2,907,911</u>	<u>2,221,412</u>	<u>2,731,878</u>	<u>2,068,827</u>
Provision for diminution in value				
	30 June 2005 <i>Rmb'000</i>	31 Dec 2004 <i>Rmb'000</i> <i>(audited)</i>	30 June 2005 <i>Rmb'000</i>	31 Dec 2004 <i>Rmb'000</i> <i>(audited)</i>
Balance at the beginning of the period / year	50,462	63,596	48,466	63,596
Add: Provision for the period / year	200	1,996	—	—
Less: Written back for the period / year	(1,996)	(15,130)	—	(15,130)
Balance at the end of the period / year	<u>48,666</u>	<u>50,462</u>	<u>48,466</u>	<u>48,466</u>

All of the above inventories are either purchased or manufactured by the Group.

11. INVENTORIES (continued)

	The Group		The Company	
	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>
The cost of inventories recognised as cost of sales	<u>12,054,757</u>	<u>8,484,009</u>	<u>11,955,575</u>	<u>8,462,469</u>

12. DEFERRED EXPENSES

	30 June 2005 <i>Rmb'000</i>	31 December 2004 <i>Rmb'000</i> <i>(audited)</i>
The Company	—	—
ANSC-TKS		
– Insurance expenses	1,126	328
– Software license fee	<u>164</u>	<u>164</u>
The Group	<u>1,290</u>	<u>492</u>

Insurance expenses under deferred expenses mainly represent property insurance and product liability insurance.

13. LONG-TERM EQUITY INVESTMENTS

The Group	Investment in associates <i>Rmb'000</i>	Other equity investment <i>Rmb'000</i>	Total <i>Rmb'000</i>	
Cost of investment				
Balance at the beginning of the period	30,803	10,500	41,303	
Deductions	(1,954)	—	(1,954)	
Balance at the end of the period	<u>28,849</u>	<u>10,500</u>	<u>39,349</u>	
The Company	Investment in joint ventures <i>Rmb'000</i>	Investment in associates <i>Rmb'000</i>	Other equity investment <i>Rmb'000</i>	Total <i>Rmb'000</i>
Cost of investment				
Balance at the beginning of the period	195,896	30,803	10,500	237,199
Additions	9,654	—	—	9,654
Deductions	—	(1,954)	—	(1,954)
Balance at the end of the period	<u>205,550</u>	<u>28,849</u>	<u>10,500</u>	<u>244,899</u>

As at 30 June 2005, no provision for diminution in value has been made for individual long-term equity investments by the Group. (31 December 2004: Nil)

13. LONG-TERM EQUITY INVESTMENTS *(continued)*

(a) As at 30 June 2005, the Company's investment in joint ventures are as follows:

Name of invested entity	Share of equity interest in the invested entity	Term of investment	Initial cost of investment <i>Rmb'000</i>
ANSC-TKS	50%	50 years	248,305
ANSC-Xinchuan	50%	50 years	20,000
			<u>268,305</u>
	ANSC-TKS	ANSC-Xinchuan	Total
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Cost of investment			
Balance at the beginning of the period	175,896	20,000	195,896
Add: Adjustment using equity method	<u>9,654</u>	—	<u>9,654</u>
Balance at the end of the period	<u>185,550</u>	<u>20,000</u>	<u>205,550</u>

Pursuant to an Equity Pledge Agreement entered into between the Company and Bank of China, Liaoning Branch on 20 October 2002, the Company pledged to Bank of China, Liaoning Branch all its equity interests in ANSC-TKS to secure the performance of the obligation of ANSC-TKS, i.e. to repay and settle the related debts due to Bank of China, Liaoning Branch in full and in a timely manner. Details of the arrangement are set out in Note 26.

13. LONG-TERM EQUITY INVESTMENTS (*continued*)

- (b) As at 30 June 2005, the Group's and the Company's investment in associates are as follows:

Name of invested entity	Share of equity interest in the invested entity	Term of investment	Initial cost of investment <i>Rmb'000</i>
TKAZ	39%	50 years	16,164
Angang Shenyang	30%	50 years	14,400
			<u>30,564</u>
	TKAZ <i>Rmb'000</i>	Angang Shenyang <i>Rmb'000</i>	Total <i>Rmb'000</i>
Cost of investment			
Balance at the beginning of the period	16,164	14,639	30,803
Add: Adjustment using equity method	<u>(2,019)</u>	<u>65</u>	<u>(1,954)</u>
Balance at the end of the period	<u>14,145</u>	<u>14,704</u>	<u>28,849</u>

- (c) As at 30 June 2005, the Group's and the Company's other equity investment is as follows:

Name of invested entity	Share of equity interest in the invested entity	Term of investment	Initial cost of investment <i>Rmb'000</i>
Zhongye Nanfang Engineering Technology Company Limited ("Zhongye Nanfang")	<u>7%</u>	<u>30 years</u>	<u>10,500</u>

- (d) As at 30 June 2005, the Company's total investment represents 2% (31 December 2004: 2%) of the Company's net asset value.

14. FIXED ASSETS

The Group	Land use rights <i>Rmb'000</i>	Buildings and plants <i>Rmb'000</i>	Machinery and equipment <i>Rmb'000</i>	Others <i>Rmb'000</i>	Total <i>Rmb'000</i>
Cost:					
Balance at the beginning of the period	218,750	2,539,776	7,601,726	786,721	11,146,973
Additions	—	44	1,319	639	2,002
Transferred from construction in progress (Note 15)	—	4,524	143,009	32,254	179,787
Disposals of fixed assets	—	(1,186)	(10,197)	(1,034)	(12,417)
Balance at the end of the period	218,750	2,543,158	7,735,857	818,580	11,316,345
Accumulated depreciation:					
Balance at the beginning of the period	3,887	739,825	2,866,783	456,699	4,067,194
Charge for the period	2,309	51,048	332,785	31,397	417,539
Written back on disposal of fixed assets	—	—	(1,458)	(122)	(1,580)
Balance at the end of the period	6,196	790,873	3,198,110	487,974	4,483,153
Carrying value:					
Balance at the end of the period	212,554	1,752,285	4,537,747	330,606	6,833,192
Balance at the beginning of the period	214,863	1,799,951	4,734,943	330,022	7,079,779

14. FIXED ASSETS (continued)

The Company	Land use rights Rmb'000	Buildings and plants Rmb'000	Machinery and equipment Rmb'000	Others Rmb'000	Total Rmb'000
Cost:					
Balance at the beginning of the period	196,402	2,440,684	7,196,851	767,865	10,601,802
Transferred from construction in progress (Note 15)	—	4,357	138,696	32,254	175,307
Disposals of fixed assets	—	(1,186)	(7,708)	(869)	(9,763)
Balance at the end of the period	196,402	2,443,855	7,327,839	799,250	10,767,346
Accumulated depreciation:					
Balance at the beginning of the period	3,544	736,446	2,839,818	453,308	4,033,116
Charge for the period	2,081	48,822	313,917	29,812	394,632
Written back on disposal of fixed assets	—	—	(1,458)	(43)	(1,501)
Balance at the end of the period	5,625	785,268	3,152,277	483,077	4,426,247
Carrying value:					
Balance at the end of the period	190,777	1,658,587	4,175,562	316,173	6,341,099
Balance at the beginning of the period	192,858	1,704,238	4,357,033	314,557	6,568,686

As at 30 June 2005, the cost of the fully depreciated fixed assets of the Group / Company which are still in use amounted to Rmb1,136,145,000 (31 December 2004: Rmb948,466,000).

Part of the fixed assets are pledged by the Group as collaterals of the syndicated loan. Details of which are set out in Note 26.

As at 30 June 2005, the carrying value of fixed assets of the Group does not comprise significantly idle, written off and disposable fixed assets.

15. CONSTRUCTION IN PROGRESS

	Amount		Including: Capitalisation of interest expenses	
	The Group <i>Rmb'000</i>	The Company <i>Rmb'000</i>	The Group <i>Rmb'000</i>	The Company <i>Rmb'000</i>
Cost				
Balance at the beginning of the period	611,746	611,316	25,193	25,193
Additions	1,234,066	1,228,570	12,412	12,412
Transfer to fixed assets (Note 14)	(179,787)	(175,307)	—	—
Balance at the end of the period	<u>1,666,025</u>	<u>1,664,579</u>	<u>37,605</u>	<u>37,605</u>
Less: Provision for impairment loss	<u>—</u>	<u>—</u>		
Carrying value				
Balance at the end of the period	<u>1,666,025</u>	<u>1,664,579</u>		
Balance at the beginning of the period	<u>611,746</u>	<u>611,316</u>		

Construction in progress comprises expenditure incurred for buildings, plants, machinery and equipment which have not yet been put into operation. Interest expense of the Group for the current period was capitalised at a rate of 5.60% (2004: 5.54%).

15. CONSTRUCTION IN PROGRESS (continued)

As at 30 June 2005, the projects under construction of the Group/Company are as follows:

Project	Budget <i>Rmb'000</i>	Balance at	Additions <i>Rmb'000</i>	Transferred	Balance at	Percentage of budget	Source of fund	Interest capitalised <i>Rmb'000</i>
		1 January 2005 <i>Rmb'000</i>		to fixed assets <i>Rmb'000</i> <i>(Note 14)</i>	30 June 2005 <i>Rmb'000</i>			
Upgrade of cold rolling production lines	3,820,530	212,552	72,158	—	284,710	81%	Equity finance and bank loans	12,412
2130 continuous cold rolling line	2,640,000	279,997	1,016,867	—	1,296,864	49%	Operating fund	—
Technology renovation	458,190	118,767	139,545	(175,307)	83,005	56%	Operating fund	—
Total for the Company		611,316	1,228,570	(175,307)	1,664,579			
Dalian galvanised steel production line	538,670	402	4,078	(4,480)	—	100%	Operating fund and bank loans	—
ANSC-Xinchuan steel product production line	349,450	28	1,418	—	1,446	1%	Operating fund	—
Total for the Group		<u>611,746</u>	<u>1,234,066</u>	<u>(179,787)</u>	<u>1,666,025</u>			<u>12,412</u>

Part of the construction in progress are pledged by the Group as collaterals of the syndicated loan. Details of which are set out in Note 26.

16. INTANGIBLE ASSETS

The Group	Land use rights <i>Rmb'000</i>	Acquired software <i>Rmb'000</i>	Industrial technology <i>Rmb'000</i>	Total <i>Rmb'000</i>
Cost				
Balance at the beginning of the period	354,200	16,497	28,230	398,927
Additions	—	1,033	—	1,033
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at the end of the period	354,200	17,530	28,230	399,960
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less: Accumulated amortisation				
Balance at the beginning of the period	50,033	2,291	1,531	53,855
Additions	3,625	1,098	1,470	6,193
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at the end of the period	53,658	3,389	3,001	60,048
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less: Provision for impairment loss				
	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying value				
Balance at the end of the period	<u>300,542</u>	<u>14,141</u>	<u>25,229</u>	<u>339,912</u>
Balance at the beginning of the period	<u>304,167</u>	<u>14,206</u>	<u>26,699</u>	<u>345,072</u>

16. INTANGIBLE ASSETS (continued)

The Company	Land use rights <i>Rmb'000</i>	Acquired software <i>Rmb'000</i>	Total <i>Rmb'000</i>
Cost			
Balance at the beginning and the end of the period	354,200	2,601	356,801
Less: Accumulated amortisation			
Balance at the beginning of the period	50,033	940	50,973
Additions	3,625	361	3,986
Balance at the end of the period	53,658	1,301	54,959
Less: Provision for impairment loss			
	—	—	—
Carrying value			
Balance at the end of the period	300,542	1,300	301,842
Balance at the beginning of the period	304,167	1,661	305,828

Land use rights include contribution of Rmb226,800,000 made by Angang Holding and the amount of Rmb127,400,000 acquired by the Company. Land use rights are amortised over a remaining period of 42.5 years. Acquired software is amortised on a straight-line basis over an estimated useful life of 3 to 10 years. Industrial technology purchased by ANSC-TKS from Thyssen is amortised over its beneficial period of 12 years.

17. LONG-TERM DEFERRED EXPENSES

	The Group <i>Rmb'000</i>
Cost	
Balance at the beginning of the period	17
Additions	161
	<u>178</u>
Balance at the end of the period	<u>178</u>
Net amount	
Balance at the end of the period	<u>178</u>
Balance at the beginning of the period	<u>17</u>

Long-term deferred expenses represent pre-operating expenses incurred by ANSC-Xinchuan.

18. SHORT-TERM LOANS

The Group	30 June 2005			31 December 2004		
	Principal <i>Rmb'000</i>	Interest rate p.a.	Credit / secured / guaranteed / pledged	Principal <i>Rmb'000</i> <i>(audited)</i>	Interest rate p.a.	Credit / secured / guaranteed / pledged
Bank loans	<u>75,000</u>	5.31%	Credit	<u>100,000</u>	5.31%	Credit

Among the above balance, no balance is due to a shareholder who holds 5% or more of the Company's voting shares.

19. BILLS PAYABLE

Bills payable of the Group primarily represent bank accepted bills for the purchases of raw materials and spare parts. The repayment terms are within six months.

The Group's / Company's five largest bills payable as at 30 June 2005 are as follows:

Name of the creditor	Particulars	Amount <i>Rmb'000</i>	Percentage of total bills payable %
Xing Tai Machine Roller Group Co.	Purchase of goods	19,584	10
Benxi No.2 Yelianchang	Purchase of goods	10,402	5
Anshan Hui Fei Grass-product Factory	Purchase of goods	10,148	5
Benxi Yelianchang	Purchase of goods	8,897	5
Da Shi Qiao No.2 Fire-resistant Material Factory	Purchase of goods	6,873	3
		<u>55,904</u>	<u>28</u>

As at 30 June 2005, the total bills payable of the Group's/Company's five largest creditors are as follows:

	30 June 2005	31 December 2004 <i>(audited)</i>
Amount (Rmb'000)	55,904	37,012
Percentage of total bills payable	<u>28%</u>	<u>17%</u>

Among the balance of bills payable, no balance is due to a shareholder who holds 5% or more of the Company's voting shares.

20. TRADE PAYABLES

	The Group		The Company	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>
Third parties	166,592	225,379	155,947	220,770
Angang Holding	7,440	317	7,440	317
ANSI	183,639	49,720	183,639	49,720
Other subsidiaries of Angang Holding	20,945	11,328	20,945	11,328
	<u>378,616</u>	<u>286,744</u>	<u>367,971</u>	<u>282,135</u>

No individually significant trade payables of the Group as at 30 June 2005 are aged over three years.

Angang Holding holds more than 5% of the Company's voting shares.

21. RECEIPTS IN ADVANCE

	The Group		The Company	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>
Third parties	1,152,072	1,325,295	1,138,039	1,293,752
Angang Holding	31	31	31	31
ANSI	—	25,656	—	25,656
Other subsidiaries of Angang Holding	88,963	204,004	88,963	204,004
	<u>1,241,066</u>	<u>1,554,986</u>	<u>1,227,033</u>	<u>1,523,443</u>

No individually significant receipts in advance of the Group as at 30 June 2005 are aged over one year.

Angang Holding holds more than 5% of the Company's voting shares.

22. ACCRUED PAYROLL

The Group's accrued payroll is composed of basic salary and performance-linked salary. The accrued payroll balance at 30 June 2005 includes Rmb31,869,000 performance-linked salary (31 December 2004: Rmb37,000,000).

23. OTHER PAYABLES

	The Group		The Company	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>
Construction costs	175,680	276,043	103,369	156,149
Freight charges	13,617	11,964	13,617	11,964
Deposit for steel shelves	37,584	27,380	37,584	27,380
Pension and unemployment insurance	—	811	—	811
Tax withheld	1,300	854	1,300	854
Staff education fund	5,684	5,798	5,684	5,798
Education surcharge and local education surcharge	—	15,083	—	15,083
Others	3,869	6,161	3,819	6,163
	<u>237,734</u>	<u>344,094</u>	<u>165,373</u>	<u>224,202</u>

	The Group		The Company	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>
Third parties	163,170	217,109	92,024	99,991
Angang Holding	104	115	104	115
Subsidiaries of Angang Holding	74,460	126,870	73,245	124,096
	<u>237,734</u>	<u>344,094</u>	<u>165,373</u>	<u>224,202</u>

Angang Holding holds more than 5% of the Company's voting shares.

None of the other payables of the Group as at 30 June 2005 are aged over three years.

24. ACCRUED EXPENSES

Accrued expenses mainly represent interest expenses, property tax, repair and maintenance expenses, and freight charges.

25. CURRENT PORTION OF LONG-TERM LIABILITIES

	The Group		The Company	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
	<i>Rmb'000</i>	<i>Rmb'000</i> (audited)	<i>Rmb'000</i>	<i>Rmb'000</i> (audited)
Bank loans (Note 26)	1,203,354	1,103,534	1,163,000	1,063,000
Convertible debentures (Note 27)	—	3,703	—	3,703
	<u>1,203,354</u>	<u>1,107,237</u>	<u>1,163,000</u>	<u>1,066,703</u>

26. LOANS

The interest rates and terms of repayment for long-term loans are as follows:

Bank	Due date	Interest Secured / rate p.a. (Note)	guaranteed	The Group		The Company	
				30 June 2005	31 December 2004	30 June 2005	31 December 2004
				<i>Rmb'000</i>	<i>Rmb'000</i> (audited)	<i>Rmb'000</i>	<i>Rmb'000</i> (audited)
Bank of China	2006	5.49%	Guaranteed	263,000	663,000	263,000	663,000
		-5.76%					
Bank of China	2007	5.49%	Guaranteed	1,400,000	1,300,000	1,400,000	1,300,000
Bank of China	2005-2014	5.76%	Secured	364,814	385,082	—	—
				<u>2,027,814</u>	<u>2,348,082</u>	<u>1,663,000</u>	<u>1,963,000</u>
Less: Current portion of long term loans				<u>(1,203,534)</u>	<u>(1,103,534)</u>	<u>(1,163,000)</u>	<u>(1,063,000)</u>
				<u>824,280</u>	<u>1,244,548</u>	<u>500,000</u>	<u>900,000</u>

The bank loans of the Company are mainly used for technology renovation and equipment upgrade and are guaranteed by Angang Holding.

26. LOANS (continued)

In October 2002, ANSC-TKS entered into a loan agreement ("loan agreement") in respect of a syndicated loan totalling Rmb1.08 billion arranged by Bank of China which would be used for the construction of its production line. ANSC-TKS pledged its land use rights, construction in progress, buildings and plants, machinery and equipment and trade receivables with a total carrying value of Rmb1,083,369,000 (31 December 2004: Rmb1,160,912,000) as at 30 June 2005 to Bank of China as collaterals of the loan.

The Company pledged to Bank of China its 50% equity interest in ANSC-TKS to secure the performance of the obligations of ANSC-TKS under the loan agreement.

As at 30 June 2005, ANSC-TKS has drawn down Rmb1,010,700,000 (31 December 2004: Rmb1,010,700,000) from the above syndicated loan facility.

Among the above balance, no balance is due to a shareholder who holds 5% or more of the Company's shares.

(Note): The interest rates of the loans are floating based on rates quoted by the People's Bank of China.

27. CONVERTIBLE DEBENTURES

On 15 March 2000, the Company issued convertible debentures (the "Debentures") amounting to Rmb1,500,000,000, which were listed on the Shenzhen Stock Exchange. The debentures have been converted into A shares of the Company ("A shares") or settled prior to 14 March 2005 (the deadline of conversion date).

By 14 March 2005, 453,985,697 A shares were converted from the Debentures of the Company with a value of Rmb1,496,570,000 and accrued interest of Rmb10,228,000, which increased the capital surplus by Rmb1,052,812,000. A cash payment of Rmb3,526,000 was made for the remaining convertible debentures and the related accrued interest.

28. SHARE CAPITAL

	The Company	
	30 June 2005	31 December 2004
	<i>Rmb'000</i>	<i>Rmb'000</i> <i>(audited)</i>
Issued and paid up capital		
Unlisted shares		
1,319,000,000 State-owned legal person shares of Rmb1 each	1,319,000	1,319,000
Listed shares		
753,942,246 (2004: 753,308,652) Renminbi ordinary shares ("A shares") of Rmb1 each issued at the beginning of the period/year	753,942	753,309
Additional 43,451 (2004: 633,594) A shares issued upon the conversion of convertible debentures	44	633
753,985,697 (2004: 753,942,246) A shares of Rmb1 each issued at the end of the period / year	753,986	753,942
890,000,000 overseas – listed foreign invested shares of Rmb1 each ("H share")	890,000	890,000
	<u>1,643,986</u>	<u>1,643,942</u>
	<u>2,962,986</u>	<u>2,962,942</u>

All the State-owned legal person shares, A and H shares rank pari passu in all material respects.

29. CAPITAL RESERVE

	The Group / Company		
	At 1 January 2005 <i>Rmb'000</i> <i>(audited)</i>	Increase <i>Rmb'000</i>	At 30 June 2005 <i>Rmb'000</i>
Net asset conversion	709,817	—	709,817
Write-off of water and electricity use rights	(122,733)	—	(122,733)
Proceeds from the issuance of H shares, net of expenses	594,722	—	594,722
Proceeds from the issuance of A shares, net of expenses	848,222	—	848,222
Conversion of A share convertible debentures	1,052,733	79	1,052,812
Write-off of trade payables	2,078	6	2,084
Receipt of fixed assets donation	76	—	76
	<u>3,084,915</u>	<u>85</u>	<u>3,085,000</u>

30. SURPLUS RESERVES

	The Group / Company		
	At 1 January 2005 <i>Rmb'000</i> <i>(audited)</i>	Profits distribution <i>Rmb'000</i>	At 30 June 2005 <i>Rmb'000</i>
Statutory surplus reserve	562,930	—	562,930
Statutory public welfare fund	562,930	—	562,930
	<u>1,125,860</u>	<u>—</u>	<u>1,125,860</u>

According to the PRC Company Law and Article 147 of the Articles of Association of the Company, the Company allocates 10% of the net profit after taxation to the statutory surplus reserves and 10% of the net profit after taxation to the statutory public welfare fund.

31. UNDISTRIBUTED PROFITS

Dividends approved and paid during the period

Pursuant to the shareholder's approval at the Annual General Meeting on 9 May 2005, the Company was authorised to declare cash dividend of Rmb0.3 per share (2004: Rmb0.2 per share) to ordinary shareholders. At 18 May 2005, the Company paid cash dividend for the year 2004 totalling Rmb889,095,000 (2004: Rmb592,563,000) to ordinary shareholders.

32. INCOME FROM PRINCIPAL OPERATIONS

	The Group		The Company	
	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>
Wire rods	1,426,588	1,094,077	1,426,588	1,094,077
Thick plates	2,576,230	2,127,826	2,576,230	2,127,826
Cold rolled sheets	4,834,239	3,699,828	5,288,960	3,745,097
Large section products	2,269,677	1,908,342	2,269,677	1,908,342
Galvanised steel sheets and colour coating plates	2,531,525	761,449	1,951,438	682,955
Steel billets	565,379	298,333	565,379	298,333
	<u>14,203,638</u>	<u>9,889,855</u>	<u>14,078,272</u>	<u>9,856,630</u>

Total sales to the five largest customers were Rmb4,986,577,000 (Six months ended 30 June 2004: Rmb5,993,933,000) which accounted for 35% (Six months ended 30 June 2004: 61%) of the total sales income of the Group for the six months period ended 30 June 2005.

There is an increase in the sales income of the Group for the six months period ended 30 June 2005 as compared with the six months period in previous year. It is mainly due to the increase in sales volume, the improvement in sales mix and the increase in product price of the Company.

33. COST OF SALES

	The Group		The Company	
	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Wire rods	1,152,240	848,638	1,152,240	848,638
Thick plates	1,796,514	1,498,835	1,796,514	1,498,835
Cold rolled sheets	4,306,470	3,485,706	4,753,763	3,530,975
Large section products	1,995,529	1,665,955	1,995,529	1,665,955
Galvanised steel sheets and colour coating plates	2,337,542	700,886	1,791,067	634,077
Steel billets	466,462	283,989	466,462	283,989
	<u>12,054,757</u>	<u>8,484,009</u>	<u>11,955,575</u>	<u>8,462,469</u>

34. BUSINESS TAX AND SURCHARGES

	Tax rate and basis	The Group		The Company	
		Six months ended	Six months ended	Six months ended	Six months ended
		30 June 2005	30 June 2004	30 June 2005	30 June 2004
		<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
City construction and maintenance taxes	7% of VAT payable	16,465	4,158	16,465	4,158
Education surcharge and local education surcharge	3% and 1% of VAT payable	9,408	2,376	9,408	2,376
		<u>25,873</u>	<u>6,534</u>	<u>25,873</u>	<u>6,534</u>

35. OTHER OPERATING PROFIT

	The Group		The Company	
	Six months ended 30 June 2005	Six months ended 30 June 2004	Six months ended 30 June 2005	Six months ended 30 June 2004
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit from sales of materials and packaging materials	5,045	1,220	5,045	1,220
Profit from sales of scrap materials	41,051	38,279	40,415	37,469
Others	1,590	550	1,590	550
	<u>47,686</u>	<u>40,049</u>	<u>47,050</u>	<u>39,239</u>

36. OPERATING EXPENSES

Operating expenses mainly represent transportation, packaging expenses and export-related expenses.

37. FINANCIAL EXPENSES

	The Group		The Company	
	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>
Interest and bills discount expenses	66,449	74,151	52,037	65,603
Less: Amount capitalised as construction in progress	12,412	15,152	12,412	11,183
Net interest expenses	54,037	58,999	39,625	54,420
Net exchange gain	(12,718)	(774)	(6,297)	(392)
Less: Amount capitalised as construction in progress	—	(616)	—	(616)
Net exchange (gain) / loss	(12,718)	(158)	(6,297)	224
Interest income	(11,513)	(11,821)	(11,296)	(11,758)
Bank charges	292	253	228	241
	<u>30,098</u>	<u>47,273</u>	<u>22,260</u>	<u>43,127</u>

38. INVESTMENT (LOSS) / INCOME

	The Group		The Company	
	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>
Income / (loss) from long-term equity investment in joint ventures				
— Accounted under equity method	—	—	9,654	(31,642)
Income / (loss) from long-term equity investment in associates				
— Accounted under equity method	(1,954)	65	(1,954)	65
Income / (loss) from other long term equity investment				
— Accounted under cost method	1,400	—	1,400	—
	<u>(554)</u>	<u>65</u>	<u>9,100</u>	<u>(31,577)</u>

There is no severe restrictions in the transfer of investment income to the Group.

39. NON-OPERATING EXPENSES

	The Group		The Company	
	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>
Loss on disposal of fixed assets	594	—	581	—
Penalties	48	81	48	81
	<u>642</u>	<u>81</u>	<u>629</u>	<u>81</u>

40. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**(a) Related party with controlling interest:**

Name of enterprise	Registered address	Principal activities	Relationship with the Company	Economic nature	Legal representative
Angang Holding	Tie Xi District Anshan Liaoning Province	Production and sale of steel and metal products, steel filament tubes, and metal structures	Holding company	State-owned	Liu Jie

The registered capital of Angang Holding as at 30 June 2005 is Rmb10,794,160,000. It holds 44.52% of the total share capital of the Company. There was no change in the registered capital of Angang Holding during the period. The changes in percentage of shares held by Angang Holding are detailed in Note 28 "Share Capital".

(b) Related parties without controlling interest:

Name of enterprise	Relation with the Company
ANSI	Fellow subsidiary
AITC	Fellow subsidiary
ANSC-TKS	Joint venture
Angang Shenyang	Associate and fellow subsidiary
Other subsidiaries of Angang Holding	Fellow subsidiaries

40. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(continued)

(c) **Details of related party transactions with Angang Holding and its subsidiaries and ANSI:**

	Note	Six months ended 30 June 2005 Rmb'000	Six months ended 30 June 2004 Rmb'000
Sales of finished goods (excluding business tax and surcharges)	(i)	1,244,073	1,214,287
Sales of scrap materials (excluding business tax and surcharges)	(i)	400,616	183,965
Purchases			
— Raw materials	(ii)	10,399,046	7,583,771
— Ancillary materials and spare parts	(iii)	82,758	49,481
Supply of fuel and power	(iv)	183,917	175,391
Staff welfare and other services	(v)	241,062	79,451
Interest income	(vi)	2,709	2,267
Material processing fee	(vii)	79,190	32,649

(i) **Sales**

The Company sold steel products and scrap materials to ANSI, Angang Shenyang and various subsidiaries of Angang Holding at selling prices not lower than the average prices charged to independent customers for the preceding month. Included in the above are sales of pipe billets totalling Rmb801,735,000 (Six months ended 30 June 2004: Rmb650,613,000).

40. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(continued)

(c) Details of related party transactions with Angang Holding and its subsidiaries and ANSI: *(continued)*

(ii) Purchase of raw materials

The Company purchased its principal raw materials from ANSI, at prices no higher than the lowest sales prices of the preceding month charged by ANSI to independent customers and the average sales prices quoted to the Company by five independent suppliers for large quantities.

(iii) Purchase of ancillary materials and spare parts

The Company purchased ancillary materials and spare parts from ANSI, the prices of which were based on the average prices of such materials charged by ANSI to independent customers.

(iv) Supply of fuel and power

The Company purchased fuel and power such as industrial water, recycled water, soft water, mixed gas, oxygen, nitrogen, hydrogen, argon, compressed air and steam from ANSI at cost, limited to a maximum increment of 5% from the relevant cost charged in the previous year.

(v) Staff welfare and other services

The subsidiaries of Angang Holding provide staff welfare and other services to the Company, which include: railway and road transportation services; agency services for the purchase of fuel oil and liquefied petroleum gas, import of spare parts and export of products; equipment repair and general maintenance and overhaul services; design and engineering services, product quality testing and analysis; heating supply for employees' accommodation; newspaper, telephone, fax and other media communication services and staff training. These services are charged either at the applicable State prices, market prices or at cost by the subsidiaries of Angang Holding.

40. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(c) Details of related party transactions with Angang Holding and its subsidiaries and ANSI: (continued)

(vi) Interest income

Angang Group provided financial services, including settlement and deposit taking services to the Company. Angang Holding will not charge any fee for the deposit taking services. The maximum amount of deposits will be Rmb1,000,000,000 and interest will be based on the rate offered by the People's Bank of China. As at 30 June 2005, the deposit placed at Angang Group amounted to Rmb228,273,000 (Six months ended 30 June 2004: 990,178,000).

(vii) Material processing fee

The Company provided material processing services to Angang Group based on average prices charged to independent customers for similar services.

(viii) Guarantee of debentures

The issuance of Debentures amounting to Rmb1,500,000,000 on 15 March 2000 was guaranteed by Angang Holding. The Debentures were matured on 14 March 2005.

(ix) Guarantee of loans

As at 30 June 2005, total amount of loans obtained by the Company from The Industrial and Commercial Bank of China and The Bank of China amounted to Rmb1,663,000,000 (31 December 2004: Rmb1,963,000,000). These bank loans were guaranteed by Angang Holding, details of which are set out in Note 26.

(x) Acquisition of ANSI and the Supply of Materials and Services Agreement

On 29 December 2004, the Company agreed to acquire the entire equity interest of the reorganised ANSI from Angang Holding. The Company entered into the Supply of Materials and Services Agreement with Angang Holding on 29 December 2004, which will be effective upon the completion of the acquisition.

40. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(continued)

(d) Details of related party transactions of ANSC-TKS:

(i) Equity investment of the Company in ANSC-TKS

The Company pledged its 50% equity interest in ANSC-TKS to Bank of China to secure the performance of the obligations of ANSC-TKS under the loan agreement.

Pursuant to the funding supporting agreement entered into with Bank of China Liaoning Branch on 22 October 2002, the Company committed to finance ANSC-TKS if it does not have sufficient funds to complete the construction projects, repay the syndicated loan or finance the operations after completion of the construction projects. The commitment is limited to US\$8,000,000 and will be reduced to US\$4,000,000 after the tenth repayment date.

(ii) Sales of products from the Company to ANSC-TKS

The Company sold products to ANSC-TKS totalling Rmb934,345,000 in six months period ended 2005 (Six months ended 30 June 2004: Rmb294,406,000).

(iii) Sale of finished products and purchase of raw materials to / from Thyssen

ANSC-TKS sold finished products to and purchased raw materials from Thyssen, under similar terms and pricing policies for independent parties. The sales and purchases during the six months period ended 30 June 2005 amounted to Rmb287,812,000 (Six months ended 30 June 2004: Nil) and Rmb35,699,000 (Six months ended 30 June 2004: Nil) respectively. Sales amounted to Rmb143,906,000 and purchases amounted to Rmb17,850,000 have been included in the sales and cost of sales of the Group's consolidated financial statements respectively.

40. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(e) Amounts due from / to Angang Holding, its subsidiaries and ANSI

The amounts of related party balances of the Group / Company are summarised as follows:

	The Group		The Company	
	30 June 2005 <i>Rmb'000</i>	31 December 2004 <i>Rmb'000</i> <i>(audited)</i>	30 June 2005 <i>Rmb'000</i>	31 December 2004 <i>Rmb'000</i> <i>(audited)</i>
Trade receivables	185,748	512,366	185,748	512,366
Other receivables	40	719	40	719
Prepayments	12,877	135,251	12,877	135,251
Trade payables	(212,024)	(61,365)	(212,024)	(61,365)
Receipts in advance	(88,994)	(229,691)	(88,994)	(229,691)
Other payables	(74,564)	(126,985)	(73,349)	(124,211)

41. RETIREMENT BENEFITS AND OTHER STAFF BENEFITS

According to the document Anzhenfa [1998] No.28 issued by Anshan City Government, the required contribution rate from the Company to the retirement benefits scheme is 22.5%.

Pursuant to regulations issued by local labour bureau, ANSC-TKS and ANSC-Xinchuan are required to contribute 19% of total salary to retirement benefit schemes.

42. COMMITMENTS

(a) Capital commitments

At 30 June, the Group/Company had the following capital commitments:

	The Group		The Company	
	30 June 2005 <i>Rmb'000</i>	31 December 2004 <i>Rmb'000</i> <i>(audited)</i>	30 June 2005 <i>Rmb'000</i>	31 December 2004 <i>Rmb'000</i> <i>(audited)</i>
Contracted for				
— Construction and upgrade of production lines	1,475,388	458,774	1,471,984	458,774
— Investment in joint venture	170,000	170,000	170,000	170,000
— Acquisition of subsidiary	18,022,400	—	18,022,400	—
Authorised but not contracted for				
— Construction and upgrade of production lines	1,170,204	3,363,421	825,604	3,013,971
	<u>20,837,992</u>	<u>3,992,195</u>	<u>20,489,988</u>	<u>3,642,745</u>

Pursuant to an acquisition agreement dated 29 December 2004 entered into between the Company and Angang Holding, the Company agreed to acquire from Angang Holding the entire equity interest of ANSI, a fellow subsidiary of the Company for a consideration of Rmb18,022,400,000. The acquisition has been approved by the independent shareholders at an extraordinary general meeting held on 28 February 2005.

The consideration of the acquisition is based on the net asset value of ANSI as at 31 August 2004 as assessed by a valuer, as adjusted by the net profit of ANSI between 1 September 2004 and the completion date and other terms as set out in the agreement.

42. COMMITMENTS (continued)**(b) Other commitments**

Pursuant to the funding supporting agreement with Bank of China Liaoning Branch dated 22 October 2002, the Company committed to finance ANSC-TKS if it does not have sufficient funds to complete the construction projects, repay the syndicated loan or finance the operations after the completion of the construction projects.

43. NON-OPERATING ITEMS

According to “Questions and answers on the preparation of information disclosures of companies issuing public shares No. 1 - Extraordinary gain and loss (2004 amended)”, non-operating items for the Group and the Company are disclosed as follows:

	The Group		The Company	
	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>	Six months ended 30 June 2005 <i>Rmb'000</i>	Six months ended 30 June 2004 <i>Rmb'000</i>
Loss on disposal of assets	230	—	217	—
Penalty charges	48	81	48	81
Penalty income	(397)	(18)	(397)	(18)
Total non-operating items	(119)	63	(132)	63
Less: tax effect of the above items	(39)	21	(44)	21
Net non-operating items	<u>(80)</u>	<u>42</u>	<u>(88)</u>	<u>42</u>

44. SEGMENT REPORTING (BY LOCATION)

The Group

Category	PRC		Other countries		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2005	30 June 2004	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Income from principal operations	11,039,910	8,638,587	3,163,728	1,251,268	14,203,638	9,889,855
Profit from principal operations	1,580,242	1,203,713	542,766	195,599	2,123,008	1,399,312

The Company

Category	PRC		Other countries		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2005	30 June 2004	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Income from principal operations	11,168,240	8,605,362	2,910,032	1,251,268	14,078,272	9,856,630
Profit from principal operations	1,552,316	1,192,028	544,508	195,599	2,096,824	1,387,627

Details of the Provision for Impairment Losses of Assets

For the period ended 30 June 2005

	Balance at the beginning of the period <i>Rmb'000</i>	The Group		Balance at the end of the period <i>Rmb'000</i>
		Additions <i>Rmb'000</i>	Written back for the period <i>Rmb'000</i>	
1. Bad debt provision	3	2	(5)	—
Including: Other receivables	3	2	(5)	—
2. Provision for diminution in value of inventories	50,462	200	(1,996)	48,666
Including: Spare parts	48,466	—	—	48,466
Finished goods	1,996	200	(1,996)	200
		The Company		
	Balance at the beginning of the period <i>Rmb'000</i>	Additions <i>Rmb'000</i>	Written back for the period <i>Rmb'000</i>	Balance at the end of the period <i>Rmb'000</i>
1. Bad debt provision	3	2	(5)	—
Including: Other receivables	3	2	(5)	—
2. Provision for diminution in value of inventories	48,446	—	—	48,466
Including: Spare parts	48,466	—	—	48,466

C. Differences between Financial Statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and PRC Accounting Rules and Regulations

		Six months ended 30 June	
		2005	2004
	Note	Rmb'000	Rmb'000
Profit attributable to equity holders of the parent under IFRS		1,223,621	715,727
Adjustments:			
Pre-operating expenses	(i)	160	(26,310)
Revaluation of lease prepayments	(iii)	(2,268)	(2,268)
Amortisation of lease prepayments	(iv)	(5)	112
General borrowing costs capitalised	(v)	—	(997)
Others		(5)	—
Deferred tax charge	(vi)	697	9,721
Total		<u>(1,421)</u>	<u>(19,742)</u>
Profit attributable to shareholders under PRC Accounting Rules and Regulations		<u>1,222,200</u>	<u>695,985</u>

C. Differences between Financial Statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and PRC Accounting Rules and Regulations (continued)

		At 30 June 2005	At 31 December 2004
	Note	Rmb'000	Rmb'000
Total equity attributable to equity holders of the parent under IFRS		10,356,925	10,022,276
Adjustments:			
Convertible debentures	(ii)		
— Discount on convertible debentures		—	(42)
— Additional borrowing costs capitalised		(7,292)	(7,251)
Pre-operating expenses	(i)	177	17
Revaluation of lease prepayments	(iii)	192,780	195,048
Amortisation of lease prepayments	(iv)	743	748
General borrowing costs capitalised	(v)	(21,855)	(21,855)
Deferred tax	(vi)	(54,302)	(54,999)
Total		<u>110,251</u>	<u>111,666</u>
Shareholders' funds under PRC Accounting Rules and Regulations		<u>10,467,176</u>	<u>10,133,942</u>

Notes:

- (i) Pre-operating expenses are expensed when incurred under IFRS. However, under the PRC Accounting Rules and Regulations, pre-operating expenses are capitalised before the commencement of operation and will be written off when the enterprise commences operation.
- (ii) The amounts represent the different treatment on transaction costs and discount on convertible debentures between the IFRS and PRC Accounting Rules and Regulations.
- (iii) Lease prepayments are carried at historical cost base under IFRS. However, under the PRC Accounting Rules and Regulations, lease prepayments (i.e. land use rights) are carried at revalued amount. Accordingly, the surplus on the revaluation of land use rights net of deferred tax asset was reversed from shareholder's fund.
- (iv) Lease prepayments are amortised on a straight-line basis over the respective periods of lease from the date of grant under IFRS. Under the PRC Accounting Rules and Regulations, lease prepayments (i.e. land use rights) are amortised when the construction work on the related land has been completed.
- (v) Under IFRS, general borrowing costs are capitalised by applying a capitalisation rate to the expenditures on the qualifying assets. Under the PRC Accounting Rules and Regulations, general borrowing costs are charged to the income statement when incurred.
- (vi) Deferred tax is provided on the IFRS adjustments at the tax rate of 33%.

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

1. Original of the interim report of the Company signed by the Chairman;
2. Financial statements of the Company signed by the Company's Legal Representative, Chief Accountant and Head of the Accounting Department of the Company;
3. Originals of all the announcements released by the Company in the China Securities Journal and the Securities Times in the period;
4. Original of the Articles of Association of the Company; and
5. Interim report of the Company submitted to the Stock Exchange.

The above documents are available for inspection at the secretarial office of the Board, Angang New Steel Company Limited situated at No. 396 Nan Zhong Hua Lu, Tie Dong District, Anshan City, Liaoning Province.

The Board
Angang New Steel Company Limited
 12 August 2005

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

<i>Executive Directors:</i>	<i>Non-Executive Directors:</i>	<i>Independent Non-Executive Directors:</i>
Liu Jie	Yu Wanyuan	Wang Linsen
Yang Hua		Yao Weiting
Cai Denglou		Liu Yongze
Yao Lin		Li Chak Yan, Francis
Zhang Lifan		Wang Xiaobin
Fu Jihui		
Li Zhongwu		
Fu Wei		