

The Board is pleased to present this annual report and the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is a major steel manufacturing enterprise in the PRC. It is principally engaged in the production and sale of hot rolled sheets, cold rolled sheets, galvanized steel sheets, colour coating plates, silicon steel, medium and thick plates, wire rods, large steel products and seamless steel pipes. The domestic market share of the Company's hot rolled sheets, cold rolled sheets, galvanized steel sheets, colour coating plates, silicon steel, medium and thick plates, wire rods, large steel products (including H type steel), heavy rails and seamless steel pipes are 9.1%, 10.3%, 2.1%, 0.65%, 29.09%, 5.24%, 1.13%, 3.18%, 33% and 3.61%, respectively.

Income and profit from principal operations of the Group for 2006 by industry and product (Prepared in accordance with PRC Accounting Rules and Regulations)

Unit: Rmb million

	Principal activities by product					Percentage change of			
	Income from principle operations	Cost of principle operations	Business tax and surcharges of principal operations	Profit from principal operations	Profit margin from principle operations	change of income from principal operations compared with previous year	change of cost of principal operations compared with previous year	change of profit of principal operations compared with previous year	profit margin from principal operations compared with previous year
						Increase / (decrease) (%)	Increase / (decrease) (%)	Increase / (decrease) (%)	Increase / (decrease) (percentage points)
Steel pressing and processing	52,647	39,782	357	12,508	23.76	98.76	75.70	233.10	9.58
Including: connected transactions	1,951	1,622	12	317	16.25	(34.27)	(34.39)	(34.77)	(0.13)
Hot rolled sheets	17,834	13,285	122	4,427	24.82	—	—	—	—
Cold rolled sheets	9,523	6,814	70	2,639	27.71	9.38	(13.36)	223.41	18.34
Galvanized steel sheets and colour coated plates	5,193	4,131	27	1,035	19.93	21.39	1.97	407.35	15.16
Silicon Steel	3,341	2,889	23	429	12.84	—	—	—	—
Medium plates	3,312	2,463	23	826	24.94	—	—	—	—
Thick Plates	4,819	3,344	33	1,442	29.92	(8.77)	(8.91)	(9.42)	(0.22)
Wire rods	2,863	2,274	20	569	19.87	2.29	(5.68)	53.37	6.61
Large steel products	2,463	1,963	17	484	19.61	(46.44)	(50.48)	(23.21)	5.94
Seamless steel pipes	2,489	1,822	17	650	26.11	—	—	—	—
Including: connected transactions	1,726	1,554	12	160	9.27	(7.90)	1.24	(51.81)	(8.45)

The pricing policy for connected transactions

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

PRINCIPAL ACTIVITIES (continued)

Income and profit from principal operations of the Group for 2006 by industry and product (Prepared in accordance with PRC Accounting Rules and Regulations) (continued)

Note:

- 1) Hot rolled sheets, seamless steel pipes, silicon steel and medium plates are our new products upon acquisition of 100% entire equity interest in ANSI.
- 2) For cold rolled sheets, the increase in the income of the principal operations was attributable to the increased sales volume of cold rolled sheets with the commercial operation of the new 2130 cold rolled sheet production line in June 2006. The decrease in the cost of principal operations and the increase in profit margin from principal operations were due to the improved profitability a result of the complete industrial chain through acquisition of 100% entire equity interest in ANSI, the strengthened energy saving and consumption reduction, the enhanced cost control and the subdivided process cost management. The increase in profit from principal operations was attributable to the increase in sales volume and reduction in cost of principal operations.
- 3) For galvanized steel sheets and colour coated plates, the increase in income from principal operations and cost of principal operations was due to rising sales volume. The increase in profit and profit margin from the principal operations was attributable to the complete industrial chain through acquisition of 100% entire equity interest in ANSI, the strengthened energy saving and consumption reduction, the enhanced cost control and the subdivided process cost management.
- 4) For thick plates, the decrease in income and profit from principal operations was due to reduced product prices. The reduction in cost of principal operations was attributable to the complete industrial chain through acquisition of 100% entire equity interest in ANSI, the strengthened energy saving and consumption reduction, the enhanced cost control and the subdivided process cost management.
- 5) For large steel products, the decrease in income from principal operations was due to declining sales volume as a result of acquisition of 100% entire equity interest in ANSI, the pipe billets sold by the Company to former ANSI are calculated as raw materials for manufacturing seamless steel pipes after the restructure. The decrease in cost of principal operations was attributable to the declining sales volume as well as the complete industrial chain through acquisition of 100% entire equity interest in ANSI, the strengthened energy saving and consumption reduction, the enhanced cost control and the subdivided process cost management. The increase in the profit margin from principal operations was attributable to the complete industrial chain through acquisition of 100% entire equity interest in ANSI, the strengthened energy saving and consumption reduction, the enhanced cost control and the subdivided process cost management.
- 6) For connected transactions, the decreases in income from principal operations, cost of principal operations and profit from principal operations were due to the transition of the connected sales between the Company and ANSI into internal raw materials upon acquisition of 100% entire equity interest in ANSI.

PRINCIPAL ACTIVITIES (continued)**Segmental information of principal activities by geographical locations (Prepared in accordance with PRC Accounting Rules and Regulations)**

Unit: Rmb million

	Income from principal operations in 2006	Profit from principal operations in 2006	Income from principal operations in 2005	Profit from principal operations in 2005	Increase/ (decrease) of income from principal operations compared with previous year (%)	Increase/ (decrease) of profit from principal operations compared with previous year (%)
Northeast China	15,818	3,752	12,216	1,904	29.49	97.06
North China	4,700	1,078	1,993	242	135.83	345.45
East China	12,368	2,820	4,245	431	191.35	554.29
South China	6,365	1,371	1,847	142	244.61	865.49
Central south China	1,157	272	381	63	203.67	331.75
Northwest China	595	136	147	19	304.76	615.79
Southwest China	114	27	172	41	(33.72)	(34.15)
Export sales	13,479	3,524	5,487	913	145.65	285.98
Total	54,596	12,980	26,488	3,755	106.12	245.67

PROFIT DISTRIBUTION PROPOSAL FOR THE YEAR

The Board recommends a cash dividend of Rmb0.58 (inclusive of tax) per share for 2006 based on a total of 5,932,985,697 shares in the issued share capital of the Company. The proposal is subject to the approval by the Shareholders of the Company at the Annual General Meeting for the year 2006. Subject to the shareholders' approval at the Annual General Meeting, the dividend will be payable to the holders of H Shares of the Company whose names appear on the register of the holders of H shares of the Company as at the close of business on 27 April 2007.

PROFIT DISTRIBUTION FOR THE REPORTING PERIOD

The Company held its 2005 Annual General Meeting on 20 June 2006, at which the profit distribution proposal for 2005 was passed. It was resolved that based on the total share capital of 2,962,985,697 as at 31 December 2005, a cash dividend of Rmb3.6 for every 10 shares be paid, of which, the dividend for domestic ordinary shares includes tax, and the newly-added 2,970,000,000 shares to Anshan Iron & Steel Group Complex by the Company are not included in the profit distribution. On 18 July 2006, the Company paid such cash dividend to the holders of its H shares at the applicable exchange rate of HK\$100 to Rmb103.0810, being the average basic exchange rate between Renminbi and Hong Kong dollar as announced by the Bank of China in one calendar week preceding the date appointed for the holding of the Annual General Meeting for 2005. The cash dividend actually paid to holders of H Shares was HK\$ 310,823,600. On 28 June 2006, the Company paid cash dividends of Rmb746,274,851 to the holders of its A shares. A total cash dividends of Rmb1,066,674,851 for 2005 were distributed.

SHARES HELD BY DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

As at 31 December 2006, interests in the Company's issued share capital held by Directors, supervisors and senior management were as follows:

Name	Position	Gender	Age	Terms of appointment	Number of shares held as at 1 January 2006 (share)	Number of shares held as at 31 December 2006 (share)	Reason of Change
LIU Jie	Chairman (Resigned)	Male	63	2006.06 - 2007.02	6,250	7,000	Exercise of warrants upon expiry
TANG Fuping	Former Chairman General Manager	Male	49	2006.06 - present 2005.05 - present	—	—	
YANG Hua	Former Chairman	Male	45	2006.06 - present	—	—	
HUANG Haodong	Director Deputy General Manager	Male	42	2006.06 - present 2006.03 - present	—	—	
WANG Chunming	Director	Male	41	2006.06 - present	—	—	
LIN Daqing	Director Deputy General Manager	Male	42	2006.06 - present 2006.03 - present	—	—	
FU Wei	Director	Male	47	2006.06 - present	11,250	12,600	Exercise of warrants upon expiry
FU Jihui	Deputy General Manager Director, Board Secretary	Male	55	2000.08 - present 2006.06 - present	6,250	7,000	Exercise of warrants upon expiry
YU Wanyuan	Non-executive Director	Male	46	2006.06 - present	—	—	
WU Xichun	Independent non-executive Director	Male	72	2006.06 - present	—	—	
WANG Linsen	Independent non-executive Director	Male	69	2006.06 - present	—	—	
LIU Yongze	Independent non-executive Director	Male	57	2006.06 - present	—	—	
Francis Li Chak Yan	Independent non-executive Director	Male	40	2006.06 - present	—	—	
WANG Xiaobin	Independent non-executive Director	Female	39	2006.06 - present	—	—	
QI Cong	Chairman of the Supervisory Committee	Male	61	2006.06 - present	—	—	
SHAN Mingyi	Supervisor	Male	53	2006.06 - present	3,750	4,200	Exercise of warrants upon expiry
ZHANG Lifan	Supervisor	Female	42	2006.06 - present	—	—	
LI Ji	Supervisor	Male	53	2006.06 - present	—	—	
XING Guibin	Supervisor	Male	47	2006.06 - present	—	—	
MA Lianyong	Chief Accountant	Male	45	2002.03 - present	—	—	
Total					27,500	30,800	

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

Name	Number of warrants for the shares of the Company held as at 1 January 2006	Number of warrants for the shares of the Company held as at 31 December 2006	Reason of change
LIU Jie	750	—	Exercise of warrants upon expiry
FU Wei	1,350	—	Exercise of warrants upon expiry
FU Jihui	750	—	Exercise of warrants upon expiry
SHAN Mingyi	450	—	Exercise of warrants upon expiry
Total	3,300	—	

Note: All the shares mentioned above are A shares and the warrants were for the domestic shares of the Company. Such shares and warrants were held by the persons mentioned above in the capacity of individual beneficial owners except for Mr. Shan Mingyi in the capacity of family interest (held by his wife).

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed above, as at 31 December 2006, none of the Directors, Supervisors or Senior Management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules.

POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHAREHOLDERS OF THE COMPANY

Mr. Liu Jie, Chairman of the Company, who has already resigned, served as the General Manager of Angang Holding, the controlling shareholder of the Company, from December 1994 to January 2007.

Mr. Yu Wanyuan, Non-executive Director of the Company, has served as the Deputy General Manager of Angang Holding since December 2001.

Mr. Qi Cong, Chairman of the Supervisory Committee of the Company, has served as the Secretary to the Discipline Committee of Angang Holding since November 1998.

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of each of the Directors, Supervisors and Senior Management was proposed by the Remuneration and Review Committee and the Supervisory Committee under the Board respectively. Such remuneration has been approved by the Board and the Supervisory Committee and will be proposed for approval by the shareholders at the general meeting. Such remuneration was determined according to the business performance of the Company and the offered by similar enterprises in the PRC.

Name	Position	Total remuneration received from the Company during the reporting period (Rmb)	Whether receiving remuneration from the holding company or other associated entities
LIU Jie	Chairman (resigned)	—	Yes
TANG Fuping	Vice Chairman	401,000	No
YANG Hua	Vice Chairman	401,000	No
HUANG Haodong	Director	281,000	No
WANG Chunming	Director	139,000	Yes
LING Daqing	Director	280,000	No
FU Wei	Director	242,000	No
FU Jihui	Director, Board Secretary	243,000	No
YU Wanyuan	Non-executive director	—	Yes
WU Xichun	Independent non-executive director	36,000	No
WANG Linsen	Independent non-executive director	63,000	No
LIU Yongze	Independent non-executive director	63,000	No
Francis LI Chak Yan	Independent non-executive director	64,000 ¹	No
WANG Xiaobin	Independent non-executive director	64,000 ¹	No
QI Cong	Chairman of the Supervisory Committee	—	Yes
SHAN Mingyi	Supervisor	283,000	No
ZHANG Lifen	Supervisor	227,000	No
LI Ji	Supervisor	203,000	No
XING Guibin	Supervisor	107,000	No
MA Lianyong	Chief Accountant	241,000	No
Total		3,338,000	

Note: (1) Assuming that HK\$1 equals to Rmb1.0058. It is paid in Hong Kong dollar. The payment after tax was HK\$50,000.

(2) The total remuneration did not include the Company's contribution to retirement schemes and other welfare funds.

RESIGNATION, APPOINTMENT AND DISMISSAL OF THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The 25th meeting of the third Board was held on 20 March 2006, at which the following resolutions were considered and approved:

To appoint Mr. Huang Haodong and Mr. Lin Daqing as the Deputy General Managers of the Company; and

To dismiss Mr. Li Zhongwu, Mr. Fu Jihui and Ms. Zhang Lifen as from their offices as Deputy General Managers of the company.

The 2005 Annual General Meeting of the Company was held on 20 June 2006, at which the election of Mr. Liu Jie, Mr. Tang Fuping, Mr. Yang Hua, Mr. Wang Chunming, Mr. Huang Haodong, Mr. Ling Daqing, Mr. Fu Wei, Mr. Fu Jihui, Mr. Yu Wanyuan, Mr. Wu Xichun, Mr. Wang Linsen, Mr. Liu Yongze, Mr. Francis LI Chak Yan and Ms. Wang Xiaobin as directors of the fourth Board of the Company was considered and approved.

The 2005 Annual General Meeting of the Company was held on 20 June 2006, at which the election of Mr. Qi Cong, Mr. Shan Mingyi and Ms. Zhang Lifen as supervisors from shareholders in the fourth Supervisory Committee was considered and approved. On 16 June 2006, Mr. Li Ji and Mr. Xing Guibin were elected by the Company's staff as supervisors from staff representatives in the fourth Supervisory Committee.

The 1st meeting of the fourth Board was held on 26 June 2006, at which Mr. Liu Jie was elected as Chairman of the Company and Mr. Tang Fuping and Mr. Yang Hua was elected as Vice Chairman of the Company respectively.

The 1st meeting of the fourth Supervisory Committee was held on 26 June 2006, at which Mr. Qi Cong was elected as chairman of the Supervisory Committee.

OPERATIONS AND RESULTS OF THE MAJOR CONTROLLED OR INVESTED COMPANIES (PREPARED UNDER THE PRC ACCOUNTING RULES AND REGULATIONS)

ANSC-TKS Dalian, is a jointly controlled entity established by the Company and ThyssenKrup Stahi AG to be engaged in the production of galvanized steel sheets. ANSC-TKS Dalian has registered capital of US\$132 million and each of the Company and Thyssenkrug Stahi AG owns 50% equity interest in it. The production facilities of ANSC-TKS Dalian commenced commercial operation in December 2003. Principal operation of ANSC-TKS Dalian is mainly engaged in production of hot dip galvanised steel products and sale of self-produced products and provision of after-sales services. As at 31 December 2006, its total assets and shareholders' funds amounted to Rmb1,821 million and Rmb876 million respectively. For 2006, it recorded an income from the principal operations of Rmb2,243 million and a net profit of Rmb99 million.

OPERATIONS AND RESULTS OF THE MAJOR CONTROLLED OR INVESTED COMPANIES (PREPARED UNDER THE PRC ACCOUNTING RULES AND REGULATIONS) (continued)

In November 2004, ANSC - Xinchuan Heavy Industries Dalian Steel Product Processing and Distribution Company Limited ("ANSC-Xinchuan") was established by the Company and Dalian Xinchuan Heavy Industries Company Limited as a jointly controlled entity, in which each party has a 50% equity interest. Its registered capital increased from Rmb40 million as at 31 December 2006 to Rmb140 million as at 25 February 2007. ANSC-Xinchuan is mainly engaged in the processing of steel products, and the manufacturing, distribution and sales of structural steel. As at 31 December 2006, its total assets and shareholders' funds amounted to Rmb140 million and Rmb140 million respectively. The production facilities of ANSC-Xinchuan are still under construction.

Changchun FAM Steel Processing and Distribution Co., Ltd. ("Changchun FAM") is a joint venture established by the Company, Yiqi Jiefang Automobile Company Limited (一汽解放汽車有限公司) and 三井物產株式會社, in which the three parties held 50%, 25% and 25% equity interest respectively. Changchun FAM has registered capital of Rmb90 million. The company is mainly engaged in processing and production of steel products and other related services. As at 31 December 2006, its total assets and shareholders' funds amounted to Rmb124 million and Rmb90 million respectively. The jointly controlled entity was under construction in 2006.

ANSC-TK Changchun was established by the Company and ThyssenKrupp (China) Investment Company Limited as a jointly controlled entity, in which each party has a 50% equity interest. ANSC-TK Changchun has registered capital of US\$12 million. It is mainly engaged in production, processing, sales of steel materials and other related commercial activities. As at 31 December 2006, its total assets and shareholders' funds amounted to Rmb96 million and Rmb96 million respectively. ANSC-TK Changchun was still under construction in 2006.

MAJOR SUPPLIERS AND CUSTOMERS

The cost of purchase from the Group's five largest suppliers amounted to Rmb12.5 billion, representing 35.31% of the Group's total purchase for the year of which purchases from the largest supplier represented 15.60% of the Group's total purchases. The sales to the Group's five largest customers aggregated to Rmb10.7 billion, representing 19.67% of the Group's total turnover for the year and the largest customer accounted for 6.67%.

Except for those disclosed in this report, none of the Directors, supervisors and their associates nor any shareholder (which to the knowledge of the Directors hold 5% or more of shares in the Company) had any interest in any of the aforementioned suppliers and customers of the Company during 2006.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and supervisors of the Company has entered into a service contract with the Company which is valid for three years starting from 20 June 2006. No Director or supervisor has entered into any service contract with the Company which may not be terminated by the Company within one year without compensation other than statutory compensation.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

On 26 January 2006, the Company issued 2.97 billion A shares to Angang Holding as the part of the consideration for the acquisition of 100% equity interests in Angang Holding. Such shares shall not be traded or transferred for 36 months from 23 February 2006.

Other than these new A shares issued, there was no other purchase, sale or redemption by the Company or any of its subsidiaries of its securities during the year.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

In 2006, none of the Directors or supervisors of the Company had any material interests in any contracts in which the Company, or the holding Company or any of its subsidiaries were involved in.

FIXED ASSETS

Movements in the fixed assets during the year are set out in note 12 of financial statements prepared in accordance with IFRS on pages 169 to 172 of this report.

CONVERTIBLE DEBENTURES

Details of the convertible debentures are set out in note 23 of financial statements prepared in accordance with IFRS on page 181 of this report.

OPERATING RESULTS

The results of the Group for the year ended 31 December 2006 and its financial position as at that date are set out in the financial statements prepared in accordance with IFRS included in this report.

SHARE CAPITAL

Movements in share capital during the year are set out in notes 26 to 28 on the financial statements prepared in accordance with IFRS included in this report. Increase in share capital during the year was attributable to the issuance of A shares for the acquisition of ANSI.

RESERVES

Movements in the reserves during the year are set out in note 27 of financial statements prepared in accordance with IFRS on page 185 of this report.

EMPLOYEE RETIREMENT SCHEME

Details of the employee retirement scheme of the Group are set out in note 34 of financial statements prepared in accordance with IFRS on page 194 of this report.

CONTINUING CONNECTED TRANSACTIONS

Details of continuing connected transactions for the year are set out on pages 65 to 71 of this report.

FIVE-YEAR SUMMARY

A summary of the results and of the asset and liabilities of the Group for the past five years is set out on page 200 of this report.

CHAPTER 13 DISCLOSURE

The Directors confirmed that there were no matters occurring in 2006 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor make any loan agreements imposing specific obligations on the controlling shareholders.

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SUFFICIENT PUBLIC SHAREHOLDINGS

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

AUDITORS

KPMG (Certified Public Accountants in Hong Kong) and KPMG Huazhen (Registered Accountants in the PRC) were appointed as the Company's international and domestic auditors respectively in 2006. A resolution for the reappointment of KPMG and KPMG Huazhen as the Company's international and domestic auditors respectively, for 2007 will be proposed at the 2006 Annual General Meeting to be held on 8 June 2007.

WORKING REPORT OF THE BOARD

The Board meetings during the reporting period

- (1) The 24th meeting of the third Board was held on 10 January 2006, at which the proposal in relation to the retirement of certain assets was considered and approved.
- (2) The 25th meeting of the third Board was held on 20 March 2006. An announcement of the resolutions passed at the meeting was published on China Securities Journal, Securities Times, Shanghai Securities News, Hong Kong Economic Times, The Standard and the website (www.cninfo.com.cn) on 21 March 2006.
- (3) The 26th meeting of the third Board was held on 10 April 2006. An announcement of the resolutions passed at the meeting was published on China Securities Journal, Securities Times, Shanghai Securities News, Hong Kong Economic Times, The Standard and the website (www.cninfo.com.cn) on 21 March 2006.
- (4) The 27th meeting of the third Board was held on 20 April 2006, at which the 2006 First Quarterly Report of the Company was considered and approved.
- (5) The 1st meeting of the fourth Board was held on 27 June 2006. An announcement of the resolutions passed at the meeting was published on China Securities Journal, Securities Times, Shanghai Securities News, Hong Kong Economic Times, The Standard and the website (www.cninfo.com.cn) on 30 June 2006.
- (6) The 2nd meeting of the fourth Board was held on 10 August 2006. An announcement of the resolutions passed at the meeting was published on China Securities Journal, Securities Times, Shanghai Securities News, Hong Kong Economic Times, The Standard and the website (www.cninfo.com.cn) on 11 August 2006.
- (7) The 3rd meeting of the fourth Board was held on 14 August 2006. An announcement of the resolutions passed at the meeting was published on China Securities Journal, Securities Times, Shanghai Securities News, Hong Kong Economic Times, The Standard and the website (www.cninfo.com.cn) on 15 August 2006.
- (8) The 4th meeting of the fourth Board was held on 26 October 2006, at which the proposed proposal in relation to the retirement of certain assets was considered and approved.
- (9) The 5th meeting of the fourth Board was held on 27 October 2006, at which the 2006 Third Quarterly Report of the Company was considered and approved.

WORKING REPORT OF THE BOARD (continued)

The Board meetings during the reporting period (continued)

(10) Implementation of resolutions passed at the general meetings by the Board

On 20 June 2006, the Company convened its 2005 Annual General Meeting, at which the 2005 profit appropriation plan was considered and approved. It was resolved to distribute a cash dividend of Rmb3.6 per 10 shares based on the total share capital of 2,962,985,697 shares as at 31 December 2005, with the dividend for domestic-listed Renminbi ordinary shares inclusive of tax. The new 2.97 billion shares issued to Angang Holding by the Company in 2006 were not included in this profit appropriation plan. On 18 July 2006, 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 Rmb103.0810. The cash dividends actually paid to holders of H shares was HK\$310,823,600. On 28 June 2006, the Company distributed cash dividends to holders of A shares, aggregating to Rmb746,274,851. The cash dividends for 2005 distributed by the Company was Rmb1,066,674,851 in total.

On 28 December 2005, the Company convened the second Extraordinary General Meeting, the second Domestic Share Class Meeting and the second H Shares Class Meeting, at which an additional issuance of 2,970,000,000 Circulating ordinary domestic Shares by the Company to Angang Holding and the acquisition of the entire equity interest in ANSI by the Company from Angang Holding were approved.

The Company deposited the additional 2,970,000,000 shares issued to Angang Holding with the China Securities Depository & Clearing Corporation Limited, Shenzhen Branch on 23 February 2006. All assets and liabilities of ANSI were consolidated into the Company since 1 January 2006 and ANSI has applied for deregistration.

By order of the Board of Directors
Zhang Xiaogang
Chairman

10 April 2007