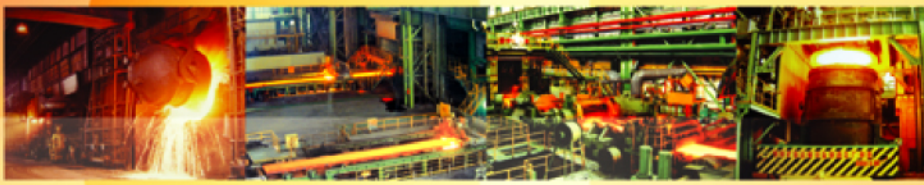
鞍 鋼 股 份 有 限 公 司

ANGANG STEEL COMPANY LIMITED*

(Stock code：0347)



Interim Report 2007

*For identification only

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

The Board of the Company is pleased to announce the unaudited results of the Company and its jointly controlled entities (collectively referred to as the "Group") for the six months ended 30 June 2007 together with the comparative figures as stated herein.

In this report, the following abbreviations shall mean the following entities:

"Angang Holding"	shall mean Anshan Iron and Steel Group Complex
"ANSC-TKS"	shall mean ANSC-TKS Galvanizing Co., Ltd.
"Changchun FAM"	shall mean Changchun FAM Steel Processing and Distribution Co., Ltd.

I. COMPANY PROFILE

1.	Legal Name of the Company	
	(in Chinese):	鞍鋼股份有限公司
	(in English):	Angang Steel Company Limited
2.	Registered and Business Address of the Company:	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the People's Republic of China (the "PRC")
	Postal Code:	114021
	Company's Internet Website:	http://www.ansteel.com.cn
	E-mail:	ansteel@ansteel.com.cn

3.	Legal Representative of the Company:	Mr. Zhang Xiaogang
4.	Secretary to the Board:	Mr. Fu Jihui
	Correspondence Address:	1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC
	Telephone:	(86) 412-8419192 (86) 412-8417273
	Fax:	(86) 412-6727772
	E-mail:	ansteel@ansteel.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
	Website for Disclosure of Information designated by CSRC:	http://www.cninfo.com.cn
	Company's Interim Report Available at:	1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC
6.	Stock Exchange Listings:	A Shares: Shenzhen Stock Exchange H Shares: The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")
7.	Abbreviation of the Company's Shares and Stock Code:	A Shares: Angang Steel 000898 H Shares: Angang Steel 0347

II. MAJOR FINANCIAL DATA AND INDICES (UNAUDITED)

1. Major financial data

Calculated in accordance with International Financial Reporting Standards

Unit: Rmb million

Items	For the six months ended 30 June 2007	2006
Profit attributable to equity shareholders of the Company	4,802	3,109
Earnings per share — (Basic) (Rmb)	0.809	0.572
Rate of return on net assets (weighted average)	14.82%	13.28%

Items	As at 30 June 2007	As at 31 December 2006
Total assets	66,820	58,936
Equity attributable to equity shareholders of the Company	31,362	30,001
Gearing ratio	53.06%	49.10%
Net assets per share (Rmb)	5.29	5.06

Prepared in accordance with the PRC Accounting Rules and Regulations

Unit: Rmb million

Items	For the six months ended 30 June 2007	2006*
Operating profit	**6,848**	4,405
Total profit	**6,810**	4,348
Net profit	**4,804**	3,109
Net profit excluding non-operating items	**4,829**	3,147
Basic earnings per share (Rmb)	**0.810**	0.572
Diluted earnings per share (Rmb)	**0.810**	0.572
Rate of Return on net assets (fully diluted)	**15.26%**	11.85%
Net cash inflow from operating activities	**5,660**	5,327
Net cash inflow per share from operating activities (Rmb)	**0.954**	0.898

Items	As at 30 June 2007	As at 31 December 2006*
Total assets	**66,848**	58,798
Owner's equity (shareholder's equity)	**31,486**	30,123
Net assets attributable to shareholders of listed companies per share (Rmb)	**5.31**	5.08

* *Prepared in accordance with the New PRC Accounting Rules and Regulations*

Unit: Rmb million

Non-operating items	Impact on profit
Non-operating income	22
Non-operating expenses	(60)
Relevant income tax	13
Total	(25)

2. Differences between financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") and the PRC Accounting Rules and Regulations

Unit: Rmb million

Items	Profit attributable to equity shareholders of the Company For the six months ended 30 June 2007	Equity attributable to equity shareholders of the Company As at 30 June 2007
Prepared in accordance with IFRSs	4,802	31,362
Adjusted items		
(1) Convertible debentures — additional capitalised borrowing cost (notes (i))	7	—
(2) Pre-operating expenses (note (ii))	(3)	—
(3) Revaluation of land use rights (note (iii))	(2)	184
(4) Deferred income tax assets (note (iv))	—	(60)
Prepared in accordance with the PRC Accounting Rules and Regulations	4,804	31,486

Notes:

(i) The amounts represent the different treatments on transaction costs and discount on convertible debentures under the IFRSs and the applicable PRC Accounting Rules and Regulations before 31 December 2005. Adjustments for the period represent the difference in balance arising from the different accounting treatments after adoption of the New PRC Accounting Rules and Regulations on 1 January 2007.

(ii) Under the PRC applicable Accounting Rules and Regulations before 31 December 2006, pre-operating expenses are capitalised in long-term deferred expenses before the commencement of operation and will be charged to expense in the first month of operation once and for all. After the adoption of the New PRC Accounting Rules and Regulations on 1 January 2007, pre-operating expenses are expensed when incurred, which is consistent with the accounting treatment of IFRSs. Adjustments for the period represent the reversal of the balance of pre-operating expenses as at 1 January 2007 charged to income statement.

(iii) *Under the PRC Accounting Rules and Regulations, land use rights are carried at revalued amount. Land use rights are carried at historical cost base under IFRSs. Accordingly, the surplus on the revaluation of land use rights net of deferred tax asset and accumulated difference in amortisation was reversed from shareholder's equity and the amortisation of the surplus was added back to the net profit in the financial statements prepared under IFRSs.*

(iv) *According to the above adjustment made in (iii), income is recognised by liability method under IFRSs, whereas deferred tax assets and liabilities are provided.*

3. Return on net assets and earnings per share for the interim period of 2007 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:

	Return on net assets (%)		Earnings per share (Rmb / share)	
Profit for the reporting period	**Fully diluted**	**Weighted average**	**Basic earnings per share**	**Diluted earnings per share**
Net profit attributable to ordinary shareholders of the Company	15.26	14.77	0.810	0.810
Net profit attributable to ordinary shareholders of the Company excluding non-operating items	15.34	14.85	0.814	0.814

Note: *Differences between the fully diluted rate of return on net assets and weighted average rate of return on net assets, mainly because the Company conducted profit sharing and distribution of dividends on 22 June 2007, resulting in a reduction of equity attributable to equity holders of the listed company as at 30 June 2007.*

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

(1) Share capital structure

During the six months ended 30 June 2007, changes in the share capital structure of the Company were as follows:

Unit: Share

	Beginning of the period		Increase / decrease during the period (+) / (-)					End of the period	
	Number	Percentage (%)	Issue of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number	Percentage (%)
I. Shares with selling restriction	3,989,928,510	67.25	–	–	–	(4,900)	(4,900)	3,989,923,610	67.25
1. State-owned shares	3,989,901,910	67.25	–	–	–	–	–	3,989,901,910	67.25
2. State-owned legal person shares	–	–	–	–	–	–	–	–	–
3. Other domestic shares	26,600	0.00	–	–	–	(4,900)	(4,900)	21,700	0.00
Including: shares held by domestic corporations	–	–	–	–	–	–	–	–	–
shares held by domestic natural persons	26,600	0.00	–	–	–	(4,900)	(4,900)	21,700	0.00
4. Foreign investment shares	–	–	–	–	–	–	–	–	–
Including: shares held by overseas corporations	–	–	–	–	–	–	–	–	–
shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II. Unrestricted Shares	1,943,057,187	32.75	–	–	–	4,900	4,900	1,943,062,087	32.75
1. Ordinary domestic shares in RMB	1,053,057,187	17.75	–	–	–	4,900	4,900	1,053,062,087	17.75
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign share	890,000,000	15.00	–	–	–	–	–	890,000,000	15.00
4. Others	–	–	–	–	–	–	–	–	–
III. Total shares	5,932,985,697	100.00	–	–	–	0	0	5,932,985,697	100.00

Note: *According to the related provisions promulgated by China Securities Regulatory Commission and Shenzhen Stock Exchange, the 100% shares held by current directors, supervisors and senior management of the Company were subject to the trading moratorium. This has changed and currently 75% shares are subject to the trading moratorium, whereas the trading moratorium on the other 25% shares has been discharged. Hence there were changes in the reporting period in shares subject to the trading marotorium and those not subject to the trading marotorium.*

(2) Details of Shareholders' Shareholding

1. As at 30 June 2007, the Company had a total of 122,936 shareholders, of which 431 were holders of H shares.

2. Shareholdings of major shareholders

As at 30 June 2007, the 10 largest shareholders and 10 largest holders of tradable and their respective shareholdings were as follows:

Details of shareholdings of 10 largest shareholders:

Name of shareholders	Capacity	Percentage of shareholding *(%)*	Total number of shares held *(shares)*	Number of shares subject to trading moratorium *(shares)*	Number of shares pledged or frozen
Angang Holding	State-owned shares	67.25	3,989,901,910	3,989,901,910	—
HKSCC Nominees Limited	Holder of foreign shares	14.86	881,848,659	—	Unknown
National Social Security Fund (Group 106)	Other	0.56	33,000,000	—	Unknown
Fenghe Value Securities Investment Fund	Other	0.52	31,050,000	—	Unknown
China Construction Bank — First State Cinda Leaders Growth Equity Fund	Other	0.40	23,953,072	—	Unknown
ICBC–E Fund Value Growth Balanced Securities Investment Fund	Other	0.39	22,922,393	—	Unknown
ICBC–China Universal Growth Focus Stock Securities Investment Fund	Other	0.37	22,100,000	—	Unknown
ICBC–Zhonghai Energy Strategy Securities Investment Fund	Other	0.35	21,000,000	—	Unknown
Taihe Securities Investment Fund	Other	0.28	16,631,962	—	Unknown
Agricultural Bank of China–Baoying Strategic Growth Stock Fund	Other	0.26	15,671,884	—	Unknown

Details of shareholdings of 10 largest holders of shares not subject to any trading moratorium:

Name of shareholders	Number of shares not subject to moratorium at the end of the reporting period	Class of shares
HKSCC Nominees Limited	881,848,659	Overseas listed foreign shares
National Social Security Fund (Group 106)	33,000,000	Ordinary shares in RMB
Fenghe Value Securities Investment Fund	31,050,000	Ordinary shares in RMB
China Construction Bank —First State Cinda Leaders Growth Equity Fund	23,953,072	Ordinary shares in RMB
ICBC — E Fund Value Growth Balanced Securities Investment Fund	22,922,393	Ordinary shares in RMB
ICBC — China Universal Growth Focus Stock Securities Investment Fund	22,100,000	Ordinary shares in RMB
ICBC — Zhonghai Energy Strategy Securities Investment Fund	21,000,000	Ordinary shares in RMB
Taihe Securities Investment Fund	16,631,962	Ordinary shares in RMB
Agricultural Bank of China — Baoying Strategic Growth Stock Fund	15,671,884	Ordinary shares in RMB
ICBC — CMF Core Value Securities Investment Fund	15,509,746	Ordinary shares in RMB

Explanations of the connected relationship or concerted action among the shareholders mentioned above: Angang Holding, the largest shareholder of the Company, had no relationship with any of the other 10 largest shareholders of the Company or any of the other 10 largest shareholders not subject to trading moratorium. Angang Holding was not a party to any concerted action as described in the Procedures for the Administration of Information Disclosure for Movement in Shareholdings of the Shareholders of Listed Companies. The Company was not aware of any connected relationship among other shareholders or any parties acting in concert as described in Procedures for the Administration of Information Disclosure for Movement in Shareholdings of the Shareholders of Listed Companies.

English names of the shareholders other than HKSCC Nominees Limited are for identification purposes only.

3. Details of the controlling shareholder of the Company

The controlling shareholder of the Company is Anshan Iron and Steel Group Complex.

Legal representative:	Zhang Xiaogang
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:	Rmb10,794,000,000
Shareholding structure:	Wholly-owned by the State of the PRC

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 2007, there was no other person (other than the directors, supervisors or senior management 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 class of shares	Percentage in total share capital *(%)*	Percentage in issued H shares *(%)*	Percentage in issued domestic shares *(%)*	Capacity
Angang Holding	3,989,901,910 State-owned Shares	67.25	—	79.12	Beneficial owner
HKSCC Nominees Limited	881,848,659 H Shares	14.86	99.08	—	Nominee

IV. DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Changes in the shareholdings of Directors, Supervisors and senior management

As at 30 June 2007, interests in the Company's issued share capital held by directors, supervisors and senior management of the Company were as follows:

Name	Position	Number of shares held as at the beginning of the period	Number of shares held as at the end of the period	Increase / Decrease in number of shares for the period
ZHANG Xiaogang	Chairman of the Board	0	0	0
TANG Fuping	Vice Chairman, General Manager	0	0	0
YANG Hua	Vice Chairman	0	0	0
HUANG Haodong	Director, Deputy General Manager	0	0	0
WANG Chunming	Director	0	0	0
LIN Daqing	Director, Deputy General Manager	0	0	0
FU Wei	Director, Deputy General Manager	12,600	12,600	0
FU Jihui	Director, Secretary to the board	7,000	7,000	0
YU Wanyuan	Non-executive Director	0	0	0
WU Xichun	Independent non-executive Director	0	0	0
WANG Linsen	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
SHAN Mingyi	Supervisor	4,200	4,200	0
ZHANG Lifen	Supervisor	0	0	0
LI Ji	Supervisor	0	0	0
XING Guibin	Supervisor	0	0	0
MA Lianyong	Chief Accountant	0	0	0

Shares and Warrants held by the persons mentioned above were A shares. Such Shares and Warrants were held by the persons mentioned above in the capacity of the beneficial owners, except for Mr. Shan Mingyi who was interested in the Warrants held through family interest (his spouse).

(2) 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 30 June 2007, 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 (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 (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

(3) Changes of Directors, Supervisors and senior management during the reporting period

On 2 February 2007, the Company held the sixth meeting of the fourth Session of the Board, in which Mr. Liu Jie was approved to resign from his duties as a director and the chairman of the Board of the Company, and Mr. Zhang Xiaogang was nominated as an executive director of the Company.

The Company's first extraordinary general meeting was held on 26 March 2007, in which Mr. Zhang Xiaogang was elected as the executive director of the Company.

The Company's eighth meeting of the fourth Session of the Board was held on 26 March 2007, in which Mr. Zhang Xiaogang was elected as the chairman of the Board of the fourth session of the Company.

V. DIRECTOR'S REPORT

(1) Business review:

In accordance with the IFRSs, the profit attributable to shareholders of the Company for six months ended 30 June 2007 was Rmb 4,802 million, representing an increase of 54.45% as compared with the corresponding period last year, while basic earnings per share were Rmb 0.809. In accordance with PRC Accounting Rules and Regulations, the Company recorded a net profit of Rmb 4,804 million for the six months ended 30 June 2007, representing an increase of 54.52% as compared with the corresponding period last year. Earnings per share were Rmb0.810.

In the first half of 2007, the Company adopted a market-oriented approach to adjust its marketing and sales strategy, modify production activities and further elevate the quality of production and operations.

(1) Speedy growth in output level

From January to June 2007, the Group produced 7,951,300 tonnes of iron, representing an increase of 9.90% as compared with the corresponding period last year, 7,873,200 tonnes of steel, representing an increase of 8.42% as compared with the corresponding period last year, and 7,407,200 tonnes of steel products, representing an increase of 9.69% as compared with the corresponding period last year, out of which, the Company produced 1,403,500 tonnes of cold rolled sheets, 809,200 tonnes of galvanized sheets and colour coating sheets, 532,300 tonnes of heavy plates, 145,400 tonnes of heavy section, 439,500 tonnes of wire rods, 2,878,700 tonnes of hot rolled strips, 440,500 tonnes of cold rolled silicon steel, 485,100 tonnes of medium plates, and 273,000 tonnes of seamless steel pipes.

(2) Consistent improvement in product quality

In the first half of 2007, 24 quality indicators in the Company have shown improvement as compared with the corresponding period last year. The passing rate and finishing rate of highlighted products were above the goals by 1.06 and 0.95 percentage points above the targets respectively.

(3) Significant growth in highly efficient and specialized products

In the first half of 2007, the Company aimed to produce more steel products that can produce high profit margins and to replace the general steel products in order to implement its development strategy of "establishing a depot for quality products and creating an international brand". Production of high quality and high value-added specialized material totaled 6,831,900 tonnes, representing 92.34% of total sales volume.

The Company's leading products are vehicle sheet, vessel steel, rail corten steel, heavy rail, oil pipes, pipeline steel, and cold-rolled silicon steel. These 7 main strategic products have gained significantly greater competitiveness and market share. 2,834,000 tonnes of these 7 products were produced in the first half of 2007, which had increased by 499,300 tonnes as compared to last year.

(4) *High praise on results of innovation*

The project of "a domestic self-directed integration and innovation on technological equipment of production line for 1780mm large scale wide cold rolled strip of Angang" (鞍鋼1780mm大型寬帶冷軋生產線工藝裝備技術國內自主集成創新) was awarded the first class award for national technology improvements .Six products including heavy rail, container sheets, ship plater and color coated sheets, the quality of which has reached international standard, were awarded [Gold Cup Prize of Qualified Actual Metallurgical Products 2006"] (二零零六年度冶金產品實物質量「金杯獎」), The R&D in Angang's Q420qD steel sheets for Ultra-Low Carbon Bainitic Steel for bridges (超低碳貝氏體橋樑用鋼), high intensity galvanized sheet, universal rolled heavy rail are appraised by the provincial authorities.

(5) *Smooth progress in technological renovation projects*

As the unit in charge for the relevant topic of the state project "Recyclable Steel Flow Technology", the Company initiated the abovementioned topic. For the renovation project of 100m heavy rail production lines is overall trial-run of heat capacity had been completed, which raised domestic and international competitiveness of the Company in the market for rails used in high speed railway. Major construction such as Bayuquan Steel Project, renovation in Chemical Plant Project Phase III and production lines for seamless ϕ177 oil pipes have made steady progress.

(6) *Breakthroughs in energy saving and consumption reduction*

A historical breakthrough has been achieved in energy saving and consumption reduction. Indicators such as coke ratio of iron-smelting, composite consumption per ton achieved a record high. Use of renewable resources, waste energy and waste heat recovery have achieved significant results. Indicators such as Top Pressure Recovery Turbine ("TRT") Generating System, chemical Coke Dry Quenching (CDQ), Converter Gas Recovery had greatly increased.

(2) Products representing more than 10% of the income or profits from principal operations of the Group are as follows (in accordance with the PRC Accounting Rules and Regulations):

Principal activities of the Group by industry and products

Unit: RMB million

	Operating income	Operating cost	Profit margin *(%)*	Percentage change of operating income year compared with the same period of the previous year Increase/(decrease) *(%)*	Percentage change of operating cost year compared with the same period of the previous year Increase/(decrease) *(%)*	Change of year profit margin on year Increase/(decrease) *(percentage points)*
Steel pressing and processing	31,964	22,161	30.67	32.96	23.93	5.05
Including: connected transactions	2,055	1,465	28.71	234.69	166.36	18.29

Principal activities by products

	Operating income	Operating cost	Profit margin (%)	Percentage change of operating income compared with the same period of the previous year Increase/ (decrease) (%)	Percentage change of operating cost compared with the same period of the previous year Increase/ (decrease) (%)	Change of profit margin compared with the same period of the previous year Increase/ (decrease) (percentage points)
Hot rolled sheets	11,845	8,155	31.15	46.76	35.71	5.60
Cold rolled sheets	6,168	4,063	34.13	55.37	51.55	1.66
Galvanized sheets and color coating sheets	3,953	2,856	27.75	67.29	52.40	7.06
Including: connected transactions	1,504	1,101	26.80	283.67	221.93	14.04

The pricing policy fo connected transactions	The average selling prices between the Company and independent third parties in the previous month or market prices.
Rationale for and continuity of connected transactions	The nature of production process of steel involves 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.

Note: *the Company's sales of products or provision of comprehensive services to its controlling shareholder and its subsidiaries amounted to RMB2,429 million during the reporting period.*

Remarks:

(1) *The increase in operating income from steel pressing and processing as compared to the same period last year was due to the increase in product sales volume, increase in product price and change in product mix, the increase in operating cost as compared to the same period last year was due to the increase in sales volume and product cost led by the increase in the price raw material, profit margin grew was due to the increase in product price, change in product mix, further strengthened energy saving, consumption reduction and cost control, the actively enhanced measures such as cost control as well as the subdivided process cost management.*

(2) *The increase in operating income from connected transactions as compared to the same period last year was due to the increase of self consumption of steel products consumed by Angang Holding and subsidiaries and the increase in product price. The increase in operating cost was due to the increase in transaction volume and increase in the price of raw material. The increase in profit margin was due to the increase in product price and the effect of product mix.*

(3) *The increase in the operating income from galvanized sheets and colour coated sheets was due to the increase in product sales volume, the increase in price and the effect of product mix. The increase in the operating cost for the galvanized sheets and colour coated sheets was due to the increase in sales volume and increase in the price of raw material.*

(3) Segmental information of principal activities by geographical locations

Unit: Rmb million

	Income from principal operations during the reporting period	Income from principal operations during the reporting period last year	Increase / (decrease) of income from principal operations compared with the reporting period last year (%)
Northeast China	9,149	7,887	16.00
North China	2,669	2,234	19.47
East China	7,934	5,569	42.47
South China	4,274	2,812	51.99
Central south China	567	490	15.71
Northwest China	290	296	(2.03)
Southwest China	133	57	133.33
Export	8,020	5,679	41.22
Total	33,036	25,024	32.02

(4) Problems and difficulties in the operation

Due to the price surge in bulk raw materials and fuels, and the adjustment in the rate of export tax rebate, domestic steel enterprises encountered a greater stress in cost. The Company will raise its market competitiveness by adjusting product mix and cost reduction.

(5) Investment of the Company

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

Unit: RMB million

Proceeds raised in total	1,480	Total proceeds used during the reporting period	0
		Accumulated proceeds used	1,480

Projects undertaken	Proposed investment	Changes in use of porceeds	Actual Investment	Actual / (estimated) benefits	Whether progressing as scheduled and estimated return
Renovation of cold rolling line	1,950	No	1,586	502	Yes
Cold Rolling Plant's renovation of No. 2 and 3 cross cutting lines	100	No	33	73	Yes
Distribution centre for the Cold Rolling Plant	180	No	0	15.66% (estimated)	No
Total	2,230	—	1,619	575	—

2. Progress on uncompleted projects financed by the proceeds

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

3. Progress on major investment by non-publicly raised funds

Unit: RMB million

Project Name	Project budget amount	Project Progress	Project Benefits
Bayuquan project	22,600	31%	—
Renovation of Chemical Plant	3,782	61%	226
1450 Project in West Area	2,900	34%	—
Production lines for ϕ177 seamless oil pipes	780	10%	—
Work in progress production lines at joint ventures	1,004	21%	—

(6) No substantial change from the previous year in principal operation and its structure

(7) No substantial change from the previous year in profitability (profit margin)

(8) No substantial change from the previous year in profit composition

(9) Analysis of Financial Condition

(Prepared In accordance with IFRSs, unaudited)

1. Items of Income Statement and Cash flow statement

Unit: Rmb million

Item	For the six months ended 30 June 2007	For the six months ended 30 June 2006	Increase / (decrease) in Percentage
Turnover	**32,996**	25,000	31.98%
Profit before tax	**6,808**	4,348	56.58%
Net profit	**4,802**	3,109	54.45%
Net increase / (decrease) in cash and cash equivalents	**(242)**	1,001	(124.18%)

Note:

a. *Increase in turnover as compared to the same period last year was mainly due to the increase in sales volume, higher product price and change in product mix;*

b. *Increase in profit before tax and net profit was mainly due to the increase in sales volume, higher product price and strengthened cost control;*

c. *Net decrease in cash and cash equivalents was due to: firstly, as compared to the same period last year the increase of Rmb120 million in net cash inflow arising from operating activities; secondly, as compared to the same period last year the increase in net cash outflow of Rmb4,745 million arising from investing activities; thirdly, as compared to the same period last year the increase in net cash inflow of Rmb3,382 million arising from financing activities.*

2. Items of Balance Sheet

Unit: Rmb Million

Items	**As at 30 June 2007**	As at 31 December 2006	**Increase / (decrease) in Percentage**
Total assets	**66,820**	58,936	13.38
Equity attributable to shareholders of the Company	**31,362**	30,001	4.54
Cash and cash equivalents	**1,453**	1,698	(14.43)
Accounts receivable	**2,501**	1,729	44.65
Amount due from fellow subsidiaries	**4,636**	708	554.80
Prepayments, deposits and other receivables	**1,942**	378	413.76
Inventories	**7,953**	7,220	10.15
Construction in progress	**10,249**	8,401	22.00
Trade payable	**2,591**	2,537	2.13
Short-term bank loans	**7,916**	7,384	7.20
Long-term bank loans	**13,227**	9,089	45.53
Long-term payable to ultimate holding company	**2,324**	2,324	0

Note:

a. Increase from the previous year end in total assets was due to the increase in net profit arising from operation and bank loans arising from construction expenses;

b. Increase from the previous year end in the equity attributable to the shareholders of the Company was due to the increase in net profit arising from operation;

c. *Decrease in cash and cash equivalents as compared with the end of last year was mainly attributable to net cash outflows from investing activities.*

d. *Increase in accounts receivable as compared with the end of last year was mainly due to an increase in account receivable arising from expanded sales scale while receivables for export products and charges for directly logistics of corporate steel increased as a result of an increase in export;*

e. *Amount due from fellow subsidiaries and prepayments, deposits and other receivables increased as compared with the end of last year as the prepayments of engineering and materials hereof were accounted according to the New Accounting Standards;*

f. *Inventories increased as compared with the end of last year, mainly because of an expansion of the scale of production, thereby resulting in a corresponding surge of inventories and reserves, coupled with a soaring price of raw materials which led to a corresponding increase of inventory costs;*

g. *Increase in construction in progress as compared with the end of last year was mainly due to increase in expenses relating to construction.*

h. *Increase in bills payable as compared with the end of last year was mainly because expanded production scale led to an increase in volume of purchases.*

i. *Increase in short-term bank loans was mainly because expanded production scale resulted in an increase in loans for liquidity.*

j. *Increase in bank loans was mainly due to increase in loans for construction projects.*

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

1. Strengthening production units, and focusing on iron smelting production in order to facilitate an increase for the overall productivity of the Company.

2. By adopting effective marketing strategies and being strongly committed to exploring new markets in order to raise the market share.

3. Employing innovative facilities management methodologies to ensure effective use of the facilities in the operation process.

4. Strengthening enterprise management, implementing management reforms, and introducing management appraisal work.

5. Realising the mission in State's energy saving and emission reduction conference, formulating long term plan and implementation schemes on emission reduction, and realizing sustainable growth.

6. To combine the Company's latest development goals with strategies of sustainable development according to the Development Strategies of Steel Industry promulgated by the State, to focus its efforts on proposals on energy, environmental protection and scientific research, and be an energy-saving and environmentally friendly enterprise.

7. To step up the construction and preparatory work of the steel project of Bayuquan Port before production in full force, ensure the coordination between projects on raw materials, energy, utilities and transportation and to make allocation, adjustment and provide training for human resources.

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

1. As at 30 June 2007, the Group had long-term loans of Rmb13,227,000,000, (31 December 2006: 9,089,000,000) which was mainly used for construction expenses. The loans are for a term of 2 to 23 years at an annual interest rate of 5.022%-6.7%.

2. As at 30 June 2007, the Group had cash and cash equivalents of Rmb1,453,000,000 and at 31 December 2006, the amount was Rmb1,698,000,000.

3. As at 30 June 2007, the total assets less current liabilities of the Group amounted to Rmb 46,919,000,000 as compared to Rmb41,414,000,000 at the end of 2006.

   The equity attributable to equity shareholders of the Group amounted to Rmb31,362,000,000 as at 30 June 2007 compared with Rmb30,001,000,000 at 31 December 2006.

(12) Charges of assets

ANSC-TKS has charged its accounts receivable, land use rights, construction in progress, property, plant and equipment to the Bank of China as security for bank loans. Meanwhile, the Company had pledged of its 50% equity interest in ANSC-TKS to the Bank of China.

On 30 June 2007, Changchun FAM pledged its machinery and equipment with an aggregate value of RMB65 million to China Construction Bank so as to secure its obligations under the loan contracts amounted to RMB45 million.

(13) Commitments and contingent liabilities (In accordance with IFRS)

As at 30 June 2007, the Group had capital commitment of Rmb 25,430,000,000, which was primarily used for construction expenses.

As at 30 June 2007, the Group did not have any contingent liabilities.

(14) Equity to liability ratio

In accordance with IFRSs, the equity attributable to equity shareholders of the Group to liabilities ratio of the Group as at 30 June 2007 was 0.88 times, compared with 1.04 times as at 31 December 2006.

(15) Foreign exchange risk

As the Group's sales of products and purchase of raw materials for production are mainly conducted in Rmb, the Group had no substantial foreign exchange risk on the transactions. However, owing to increase in export sales conducted in foreign currencies, the depreciation or appreciation of foreign currencies against Rmb will have an impact on the operating results of the Group.

(16) Employees

As at 30 June 2007, the Company had 31,435 employees (2006: 31,396), of which 19,711 were in production, 295 were sales personnel, 2,594 were technicians, 298 were in finance and 2,511 were in administration and management. Among the employees of the Company, 4,351 had obtained a bachelor degree or above, representing 13.8% of the number of employees; 5,160 had obtained a diploma, representing 16.4% of the number of employees and 14,003 had received secondary education, representing 44.5% of the number of employees.

The Company adopted position-linked and liability-linked annual remuneration packages for the senior management; position-linked remuneration and new product incentive packages for scientific research personnel; sales profit-linked remuneration packages for sales personnel; and position-linked remuneration packages for other personnel.

In the first half of 2007, in order to meet the different needs of all levels of its employees, the Company organised training courses including management knowledge, computer, English language, technical training, leadership training, technical training for inspectors, quality control, training for qualification of quality engineers and computer operation for production staff. The Company also provided special training especially for existing upgrade projects and construction work for Bayuquan Port.

The overall staff calibre was highly improved through training, which assured the Company's production and operation , and the smooth completion of the upgrade projects and Bayuquan Port Construction.

VI. EXPLANATION ON SIGNIFICANT EVENTS

(1) Corporate governance practice

Pursuant to the applicable requirements of the PRC Company Law, the PRC Securities Law, the relevant requirement of the China Securities Regulatory Commission, the Listing Rules of the Hong Kong Stock Exchange (the "Listing Rules"), the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, the Corporate Governance Guideline of Listed Companies and the Guidelines for the Internal Control of Listed Companies of the Shenzhen Stock Exchange, the Company has regulated its operations and established a sound corporate governance system and an effective internal control system.

The Company has formulated and improved a series of rules and regulations such as the Articles of Association of the Company, Procedural Rules for general meetings, Procedural Rules for Board meetings, Procedural Rules for Supervisory Committee, Administrative Measures on External Investment, Administrative Measures on Use of Proceeds from Fundraising, Administrative System of Information Disclosure, Administrative Method of Connected Transactions, and established an effective and well-structured corporate governance system.

The Company has set up an internal control system on operational control, financial control, legal compliance and risk management, covering the full process of all important businesses and management process. By establishing a sound system and strictly implementing it, the Company has increasingly regulated its operation.

The Company has currently conducted a self inspection on its corporate governance pursuant to the requirements of the Circular on the Issues Concerning Developing the Special Activities for Strengthening the Corporate Governance of Listed Companies (《關於開展加強上市公司治理專項活動有關事項的通知》) issued by China Securities Regulatory Commission, and published a self-inspection report and a remedial plan. Please refer to the special column of Special Activities on Corporate Governance of the Shenzhen Stock Exchange for details.

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

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

The Company will not declare any interim dividends or transfer any surplus reserves to the share capital of the Company for the six months ended 30 June 2007.

(3) Implementation of profit appropriation plan

On 8 June 2007, the Company convened its 2006 general meeting in Anshan, at which the 2006 profit appropriation plan was considered and approved. It was resolved to distribute a cash dividend of Rmb5.8 per 10 shares based on the total share capital of 5,932,985,697 shares as at 31 December 2006. On 22 June 2007, 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 Rmb97.949. The cash dividends actually paid to holders of H shares was Rmb527,000,000. On 22 June 2007, the Company distributed cash dividends to holders of circulating A Shares and state-owned legal person shares; totaling Rmb 2,925,000,000. The cash dividends for 2006 distributed by the Company was Rmb3,441,000,000 in total.

(4) Material litigation and arbitration

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

(5) Major acquisition, sale or disposal of assets

The Company had no major acquisition, sale or disposal of assets during the reporting period.

(6) Material connected transactions in the reporting period

1. Continuing connected transactions

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 in accordance with the Materials and Services Supply Agreement entered into between the parties.

(1) Angang Holding and its subsidiaries provided the Company with the following major items:

Items	Pricing principle	Price	Amount *(Rmb million)*	As a percentage of similar transaction *(%)*
Iron concentrate	Not higher than the average import price reported to the PRC customs in the preceding half-year reporting period and the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the grade of the iron concentrate which was based on the average weighted grade of the iron concentrate imported by Angang Steel in the preceding half year. For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by Rmb10/ tonne. Angang Holding undertook to give discount after the highest price is confirmed. The discount rate is10% of average import price of iron concentrate reported to the PRC custom in the preceding half-year.	552.43	2,832	75.33

Items	Pricing principle	Price	Amount (Rmb million)	As a percentage of similar transaction (%)
Pellet	Based on the average price of pellets purchased by the Company from independent third parties in the preceding half-year reporting period. For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by Rmb10 / tonne.	810.52	2,441	92.65
Sinter ore	The price of iron concentrate plus processing cost of the supplier in the preceding half-year reporting period plus 10% gross profit (the processing cost of which is not higher than that of similar products produced by Angang Steel)	696.04	1,314	100.00
Scrap steel	Market price	—	123	98.51
Billets	Market price	—	—	—
Electricity	State price	0.47	805	38.83
Lime stone	Not higher than the average of the sales prices for the preceding month offered by the relevant member of Angang Holding to the independent third parties	55.76	31	100.00
Lime powder		317.09	377	100.00
Refractory Materials		—	104	24.15
Spare partsand tools		—	198	7.83
Total		—	8,225	—

(2) Angang Holding and its subsidiaries provided the Company with the following major services:

Items	**Pricing Principles**	**Amount** *(Rmb million)*	**As a percentage of similar transaction** *(%)*
Railway transportation	State price	291	64.94
Road transportation	Market price	163	85.47
Agency services: — Import of raw material, equipment, components and auxiliary material — Agency for product export — Agency for product import	Within 1.5% as commission (not more than the main commission levied by China State Import and Export Company) or free of change	118	100.00
Repair and maintenance of equipment	Market price	318	68.68
Design and engineering services		1,942	45.95
Education facilities, vocational education, on the job training, translation services		—	—
Company vehicle service		9	99.96
Charge for arrangement of business and meeting		1	12.16
Afforesting service		7	99.88
Newspaper andother publications	State price	0	13.13
Telecommunication business and service		7	85.10
Environmental monitoring service		1	100.00
Supply of heat		0	0.23
Production coordination and maintenance	Cost of labour service and material based on market price	423	95.87
Production coordination and maintenance		44	99.87
Total		3,324	—
Interest on settlement funds	State price	5	75.01
Loans and discounted rate	State price	107	19.61
Payment of Interest on delayed consideration for acquisition of Angang New Steel Company Limited	Interest rate on bank loans	132	100.00

Note: In which, for the six months ended 30 June 2007, steel products provided by Angang International Trading Corporation as a domestic and overseas agent amounted 1,920,000 and 1,820,000 tonnes respectively.

(3) The Company provided Angang Holding and its subsidiaries with the following major items:

Items	**Pricing principle**	**Price**	**Amount** *(Rmb million)*	**As a percentage of similar transaction** *(%)*
Cold rolled sheets	The average sales price of preceding month between the Group and the independent third parties; For provision of new products developed for the other party, the price is based on the market price if the market price exists; if the market price does not exist, the price is based on the principle of the cost plus a reasonable profit, while the reasonable profit rate is not higher than the average profit margin of related products provided by relevant member of companies.	RMB3,923/tonne	533	6.34
Heavy plates		RMB4,918/tonne	230	9.12
Wire rods		RMB3,090/tonne	54	3.51
Large section steel products		RMB3,869/tonne	9	1.70
Hot rolled plates		RMB3,363/tonne	828	6.99
Medium plates		RMB3,691/tonne	226	12.22
Galvanized steel sheets		RMB4,261/tonne	140	3.86
Colour coating sheet		RMB5,298/tonne	3	0.76
Seamless steel pipe		RMB3,436/tonne	25	2.05
Molten iron		RMB2,264/tonne	7	85.35
Coke		RMB625/tonne	29	100.00
Chemical byproduct		—	14	3.57
Scrap steel material	Market price	—	47	86.24
Abandoned material		—	30	71.53
Total		—	2,175	—

(4) The Company provided Angang Holding and its subsidiaries with the following comprehensive services:

Items	Pricing principle	Price	Amount (Rmb million)	As a percentage of similar transaction (%)
New water	State price	Rmb2.93/tonne	27	99.85
Clean recycled water	Production cost plus a profit margin of 5%	Rmb2.13/tonne	36	100.00
Soft water		Rmb2.84/tonne	0	100.00
Gas		Rmb43.93/GJ	141	84.04
Blast furnace gas		Rmb5.00/GJ	19	100.00
Steam		Rmb39.50/GJ	17	98.71
Nitrogen		Rmb70.00/M^3	0	3.77
Oxygen		Rmb500.18/M^3	1	10.92
Argon		Rmb600.00/M^3	0	8.51
Compressed air		Rmb89.50/M^3	1	100.00
Unused hot water		Rmb5.59/GJ	9	83.71
Product testing service	Market price	—	2	72.25
Transportation service		—	1	100.00
Total	—	—	254	41.80

(5) The Company provided the jointly-controlled entities with the following items:

Item	Amounts *(Rmb million)*	As a percentage of similar transaction (%)
Cold hard coils	818	12.45

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

2. *Connected transactions arising from transfer of assets and equity interest*

The seventh meeting of the fourth session of the Board was held on 28 February 2007 at which the Resolution Regarding Sale of Certain Fixed Assets was discussed and approved. This transaction is a connected transaction.

Party to connected transaction: Angang Holding

Content of transaction: certain fixed assets in the measuring plant, Equipment Department, fuel storage and processing centre of the Company

Pricing Principles: the transaction price is the estimated value in a valuation report issued by Beijing Guo You Da Zheng Asset Appraisal Company Limited

Carrying value: Rmb23.711million

Estimated value: Rmb25,463,100

Transaction price: Rmb25,463,100

Settlement method: currency settlement

(7) Non-operating creditors' rights and debts between the Company and connected parties

Connected party	Provision of funds to connected party		Provision of funds to the Company by connected party	
	Transaction amount	Balance	Transaction amount	Balance
Angang Holding	—	—	—	4,647,000,000
Total	—	—	—	4,647,000,000

Note: On 26 January 2006, the Company issued a total of 2.97 billion new circulating A Shares to Angang Holding at the price of RMB4.29 per share as a consideration for the acquisition of 100% share equity in Angang New Steel and Iron Company Limited, totaling RMB12,741,000,000. The insufficient amount of Rmb6,971,000,000 were settled in deferred consideration in 3 equal installments within 3 years after the settlement date. The Company will pay the interests of deferred consideration to Angang Holding at a lending interest rate quoted by People's Bank of China, and the interests along with the deferred consideration in the same period will be settled together.

As at 30 June 2007, bank loans in the amount of Rmb3,103,000,000 of the Company were guaranteed by Angang Holding.

(8) Material contracts and their performance

1. The Company did not enter into any material transactions, 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

External guarantee provided by the Company (excluding guarantee provided to controlling subsidiaries)						
Name of recipient of guarantee	Transaction date (Execution date of agreement)	Amount of guarantee	Type of guarantee	Guarantee period	Completion of performance?	Guarantee provided to connected parties?
—	—	—	—	—	—	—
Total of guarantee amount during the reporting period			—			
Total of guarantee amount at the end of the reporting period			—			
Guarantee provided by the Company to controlling subsidiaries						
Amount of guarantee provided tocontrolling subsidiaries during the reporting period			—			
Amount of guarantee provided tocontrolling subsidiaries at the end of the reporting period			Rmb284,000,000			
Total guarantees provided by the Company (including guarantee provided to controlling subsidiaries)						
Total guarantee amount			Rmb284,000,000			
The percentage of the total guarantee amount over the net assets of the Group			0.90%			
Representing: Guarantee provided to shareholders, beneficial owners and connected parties			—			
Guarantee directly or indirectly provided to parties with gearing ratio over 70%			—			
Amount of guarantee in total over 50% of the net assets			—			
Total amount of the above guarantees			—			

Specific statement opinions of independent Directors in relation to the cumulative and existing external guarantees and the Company's compliance with the "Notice in relation to certain issues concerning the regulation of funds transfer between listed companies and connected parties, and external guarantees granted by listed companies" :

In accordance with the principles of the "Notice in relation to certain issues concerning the regulation of funds transfer between listed companies and connected parties, and external guarantees granted by listed companies"([2003] No.56) (the "Notice") issued by China Securities Regulatory Commission, we have faithfully and carefully reviewed the Company's external guarantee, and hereby make the following statements and give the following opinions:

(1) The Company has complied with the relevant requirements of the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange since its listing, and has not provided any guarantee to its controlling shareholders, any other connected party which has a less than 50% shareholding in the Company, any non-legal person unit or any individual.

(2) The Company has not provided any guarantee for any other companies in the first half of 2007.

(3) As at 30 June 2007, external guarantees granted by the Company amounted to Rmb284,000,000, accounting for 0.90% of the net assets of the Group as at 30 June 2007 in accordance with the PRC Accounting Rules and Regulations.

(4) As at 30 June 2007, there was no overdue payment guaranteed by the Company.

(5) To date, the Company has not been subjected to any penalty, criticism nor condemnation by the securities regulatory authorities in respect of the Company's external guarantees.

(6) The Company has amended its articles of association pursuant to the requirements of the Notice.

3. The Company did not entrust any party with the management of any of its assets during the reporting period;

4. The Company did not enter into any other material contracts during the reporting period;

5. The Company did not entrust any party with the management of any of its funds during the reporting period.

(9) Undertakings of Controlling Shareholder

1. Angang Holding, the controlling shareholder of the Company, made the undertakings required under the relevant laws and regulations, during the period of the State-owned Share Reform Plan.

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

   (1) The shares held by Angang Holding following the completion of the state-owned share reform plan will be subject to a trading moratorium of 36 months from the listing date of such shares on the Shenzhen Stock Exchange except for the shares to be transferred to any holder of tradable ordinary domestic shares upon his / her / its exercise of the warrants.

   (2) For new circulating A Shares of the Company issued to Angang Holding for the acquisition of the entire equity interest in ANSI, such shares will also be subject to a trading moratorium of 36 months from the day on which the shares are issued to Angang Holding, and the approval of the shareholders' meeting and regulatory authorities.

   (3) Angang Holding will maintain a minimum of 60% shareholding in the Company following the completion of the acquisition of the entire equity interest in ANSI till 31 December 2010.

   (4) Angang Holding assures that it will compensate other shareholders for any loss arising from its failure to fulfil the whole or part of its undertakings.

   (5) Angang Holding will arrange for the deposit of the relevant shares held by it as compensation under the State-owned Share Reform Plan with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch to ensure fulfillment of its obligations under the State-owned Share Reform Plan.

(6) Angang Holding will be responsible for all the costs and expenses arising from the implementation of the State-owned Share Reform Plan.

Angang Holding further undertakes that:

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

During the reporting period, the Company was not aware of any breach of such undertakings by Angang Holding.

2. Angang Holding made an undertaking to the Company on 25 May 2005 that, following the completion of the acquisition of the entire equity interest in ANSI, Angang Holding will provide a discount to the iron concentrate purchased by the Company from it, based on the highest amount as determined under the pricing formula set out in the Supply of Materials and Services Agreement, being 10% of the average import price of iron concentrate reported to the PRC customs in the preceding half-year reporting period.

During the reporting period, no breach of the undertakings of Angang Holding was found.

(10) Purchase, sale or redemption of the Company's listed securities

During the six months ended 30 June 2007, there was no purchase, sale or redemption of the Company's listed securities by the Company and its subsidiaries.

(11) Securities Transactions of Directors

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

(12) Independent Non-executive Director

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

(13) Audit Committee

The Company has established an audit committee (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 report for the six months ended 30 June 2007.

(14) Shareholding in other listed companies

Stock code	Stock abbreviation	Initial investment *(Rmb million)*	Shareholding in that company	Book value at the end of the period *(Rmb million)*	Loss or profit during the reporting period	Change in equity holders during the reporting period
600961	Zhuzhou Smelter (株冶集團)	81	1.9%	81	—	—

(15) Communication with investors and site visits during the reporting period

Time of reception	Place of reception	Method of reception	Visitor	Issues discussed and information provided
9 March 2007	Board Secretary Room	On-site visit of production facilities and seminar	何浪 of Shanghai Representative Office of UBS Securities Asia Limited 施永濤 of Shanghai Representative Office of AllianceBernstein L.P.	1. Production and operation condition of the Company 2. Development trend of the Company 3. Updates of local and overseas iron & steel Industry
4 April 2007	Board Secretary Room	On-site visit of production facilities and seminar	陳以文 of Macquarie Securities Ltd 葉志恩 of T.ROWE PRICE INTERNATION,INC.	1. Production and operation condition of the Company 2. Development trend of the Company 3. Updates of local and overseas iron & steel Industry
13 April 2007	Board Secretary Room	On-site visit of production facilities and seminar	ten persons from Shanghai Representative Office of Morgan Stanley Dean Witter Asia Limited, including 羅立	1. Production and operation condition of the Company 2. Development trend of the Company 3. Updates of local and overseas iron & steel Industry
20 April 2007	Board Secretary Room	On-site visit of production facilities and seminar	齊東超 of China Universal Asset Management Co., Ltd.	1. Production and operation condition of the Company 2. Development trend of the Company 3. Updates of local and overseas iron & steel Industry

Time of reception	Place of reception	Method of reception	Visitor	Issues discussed and information provided
16 May 2007	Board Secretary Room	On-site visit of production facilities and seminar	2 persons from J.P. Morgan Securities (Asia Pacific) Limited, including 張峰	1. Production and operation condition of the Company 2. Development trend of the Company 3. Updates of local and overseas iron & steel Industry
25 May 2007	Board Secretary Room	On-site visit of production facilities and seminar	葉淩雲 of Shanghai Representative Office of Merrill International	1. Production and operation condition of the Company 2. Development trend of the Company 3. Updates of local and overseas iron & steel Industry
11 June 2007	Board Secretary Room	On-site visit of production facilities and seminar	3 persons from Fitch Rating (Beijing) Ltd. including 李運建 and 陳東明	1. Production and operation condition of the Company 2. Development trend of the Company 3. Updates of local and overseas iron & steel Industry
20 June 2007	Board Secretary Room	On-site visit of production facilities and seminar	葉燕萍 of BLACKRIVER ASSET MANGERMENT	1. Production and operation condition of the Company 2. Development trend of the Company 3. Updates of local and overseas iron & steel Industry

(16) Significant Events

No.	Name of announcement on significant events	Publication date	Newspaper	Website
1	Announcement of Resolutions of the sixth meeting of the fourth session of the Board of the Company	3 February 2007	China Securities Journal and Securities Times	www.cninfo.com.cn
		5 February 2007	Hong Kong Economic Times and The Standard	Website of HK Stock Exchange
2	Clarification Announcement	7 February 2007	China Securities Journal, Securities Times, Hong Kong Economic Times and The Standard	www.cninfo.com.cn and Website of HK Stock Exchange
3	Announcement of Resolutions of the First Extraordinary General Meeting of the Company in 2007	27 March 2007		
4	Announcement of Resolutions of the eighth meeting of the fourth session of the Board of the Company	27 March 2007		
5	2006 Annual Report and the summary	11 April 2007		
6	Announcement of Resolutions of the ninth meeting of the fourth session of the Board of the Company	11 April 2007		
7	Announcement of Resolutions of the fourth meeting of the fourth session of the Supervisory Committee of the Company	11 April 2007		
8	First Quarterly Report and the summary	30 April 2007		
9	Announcement of expected increase in results of the Company	30 April 2007		
10	Company Announcement	29 May 2007		
11	Announcement of resolutions of the second EGM,the first domestic shareholders class meeting and the first H shareholders class meeting in 2007	30 May 2007		
12	Announcement of Resolutions of 2006 Annual General Meeting	11 June 2007		
13	Announcement of distribution of profit and dividend of the Company	14 June 2007		

7. FINANCIAL REPORT (UNAUDITED)

A. Prepared in accordance with International Financial Reporting Standards

Consolidated income statement (unaudited)

for the six months ended 30 June 2007

(Expressed in Renminbi)

		Six months ended 30 June	
		2007	2006
	Note	***Rmb million***	*Rmb million*
Turnover	2, 3	**32,996**	25,000
Cost of sales		**(24,121)**	(18,951)
Sales related taxes		**(331)**	(206)
Gross profit		**8,544**	5,843
Other operating loss		**(82)**	(53)
Distribution and other operating expenses		**(747)**	(404)
Administrative expenses		**(541)**	(635)
Profit from operations		**7,174**	4,751
Net financing costs		**(367)**	(402)
Share of profits less losses of associates		**1**	(1)
Profit before taxation	4	**6,808**	4,348
Income tax expense	5	**(2,006)**	(1,239)
Profit for the period and attributable to equity shareholders of the company		**4,802**	3,109
Earnings per share	7		
Basic		**Rmb 0.809**	Rmb 0.572

The notes on pages 52 to 71 form part of this interim financial report.

Consolidated balance sheet at 30 June 2007 (unaudited)

(Expressed in Renminbi)

	Note	**At 30 June 2007 *Rmb million***	At 31 December 2006 *Rmb million*
Non-current assets			
Property, plant and equipment		**32,334**	32,834
Intangible assets		**44**	48
Construction in progress	8	**10,249**	8,401
Lease prepayments		**5,453**	5,486
Interest in associates		**50**	49
Other investment		**91**	10
Deferred tax assets		**114**	114
		48,335	46,942
Current assets			
Inventories		**7,953**	7,220
Amounts due from fellow subsidiaries	9	**4,636**	708
Trade receivables	10	**2,501**	1,729
Prepayments, deposits and other receivables		**1,942**	378
Income tax recoverable		**—**	261
Cash and cash equivalents	11	**1,453**	1,698
		18,485	11,994

The notes on pages 52 to 71 form part of this interim financial report.

Consolidated balance sheet at 30 June 2007 (unaudited) *(continued)*

(Expressed in Renminbi)

	Note	**At 30 June 2007** ***Rmb million***	At 31 December 2006 *Rmb million*
Current liabilities			
Trade payables	12	**2,591**	2,537
Amount due to ultimate holding company		**8**	16
Amounts due to fellow subsidiaries		**1,537**	1,051
Other payables		**5,285**	4,210
Short-term bank loans	13	**7,916**	7,384
Current portion of long-term payable to ultimate holding company	14	**2,324**	2,324
Obligations under finance leases		**1**	—
Income tax payable		**239**	—
		19,901	17,522
Net current liabilities		**(1,416)**	(5,528)
Total assets less current liabilities carried forward		**46,919**	41,414

The notes on pages 52 to 71 form part of this interim financial report.

Consolidated balance sheet at 30 June 2007 (unaudited) *(continued)*

(Expressed in Renminbi)

	Note	At 30 June 2007 *Rmb million*	At 31 December 2006 *Rmb million*
Total assets less current liabilities brought forward		**46,919**	41,414
Non-current liabilities			
Bank loans	13	**13,227**	9,089
Long-term payable to ultimate holding company	14	**2,324**	2,324
Obligations under finance leases		**6**	—
		15,557	11,413
Net assets		**31,362**	30,001
Capital and reserves			
Share capital		**5,933**	5,933
Share premium		**12,811**	12,811
Reserves		**2,076**	2,076
Retained profits		**10,542**	9,181
Total equity attributable to equity shareholders of the company		**31,362**	30,001

Approved and authorised for issue by the board of directors on 21 August 2007.

Zhang Xiaogang
Chairman

Fu Jihui
Director

The notes on pages 52 to 71 form part of this interim financial report.

Consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2007

(Expressed in Renminbi)

	Note	Share capital *Rmb million*	Share premium *Rmb million*	Reserves *Rmb million*	Retained profits *Rmb million*	Total *Rmb million*
At 1 January 2006		2,963	3,058	1,392	3,838	11,251
Net profit for the period		—	—	—	3,109	3,109
Shares issued on acquisition of Angang New Steel and Iron Co. Ltd. ("ANSI")	12	2,970	9,753	—	—	12,723
Final dividends — 2005	6	—	—	—	(1,067)	(1,067)
At 30 June 2006		5,933	12,811	1,392	5,880	26,016
At 1 January 2007		5,933	12,811	2,076	9,181	30,001
Net profit for the period		—	—	—	4,802	4,802
Final dividends — 2006	6	—	—	—	(3,441)	(3,441)
At 30 June 2007		5,933	12,811	2,076	10,542	31,362

The notes on pages 52 to 71 form part of this interim financial report.

Condensed consolidated cash flow statement (unaudited)

for the six months ended 30 June 2007

(Expressed in Renminbi)

		Six months ended 30 June	
		2007	2006
	Note	***Rmb million***	*Rmb million*
Cash flows from operating activities		**5,150**	5,030
Cash flows from investing activities		**(6,699)**	(1,954)
Cash flows from financing activities	6	**1,307**	(2,075)
Net (decrease)/increase in cash and cash equivalents		**(242)**	1,001
Cash and cash equivalents at 1 January	10	**1,698**	562
Effect of exchange rate fluctuations on cash held		**(3)**	(24)
Cash and cash equivalents at 30 June	10	**1,453**	1,539

The notes on pages 52 to 71 form part of this interim financial report.

Notes on the interim financial report (unaudited)

for the six months ended 30 June 2007

(Expressed in Renminbi)

1 Basis of preparation

This interim financial report is unaudited but has been reviewed by the Audit Committee of Angang Steel Company Limited (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 Company and its jointly controlled entities (the "Group") since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the IASB. IFRSs includes all applicable IFRS, IAS and related interpretations.

The interim financial report has been prepared in accordance with substantially the same accounting policies adopted in the 2006 annual financial statements.

1 Basis of preparation *(continued)*

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 2007. 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 2007, on the basis of IFRSs currently in issue.

The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies applied in this interim financial report for the periods presented.

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 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 financial 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 2006 that is included in the interim financial report as being previously reported information does not constitute the Group's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group's annual financial statements for the year ended 31 December 2006 are available from the Company's registered office. The independent auditor has expressed an unqualified opinion on those financial statements in their report dated 10 April 2007.

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	
	2007	2006
	Rmb million	*Rmb million*
Revenue		
People's Republic of China ("PRC")	**24,976**	19,321
Other countries	**8,020**	5,679
	32,996	25,000

All of the Group's assets are in the PRC.

3 Turnover

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

4 Profit before taxation

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

	Six months ended 30 June	
	2007	2006
	Rmb million	*Rmb million*
Interest and other borrowing costs	**653**	486
Less: Amount capitalised as construction in progress	**(273)**	(103)
Net interest expenses	**380**	383
Interest income	**8**	(7)
Amortisation of lease prepayments and intangible assets	**64**	61
Depreciation	**2,048**	1,818
Loss on disposals of property, plant and equipment	**43**	58
Impairment losses		
— Fixed assets	**55**	—
— Inventories	**(1)**	(11)
— Trade receivables	**—**	6
Research and development costs	**14**	3

5 Income tax expense

Income tax expense in the consolidated income statement represents:

	Six months ended 30 June	
	2007	2006
	Rmb million	*Rmb million*
Current tax expense – PRC income tax	**2,006**	1,206
Deferred taxation	**—**	33
	2,006	1,239

The provision for PRC income tax is calculated at 33% (six months ended 30 June 2006: 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	
	2007	2006
	Rmb million	*Rmb million*
Final dividends in respect of the financial year ended 31 December 2006, approved during the following interim period, of Rmb58 cents per share (year ended 31 December 2005 approved and paid: Rmb36 cents per share)	**3,441**	1,067

The final dividends attributable to A share shareholders and H share shareholders amounting to Rmb2,925 million (six months ended 30 June 2006: Rmb746 million) and Rmb516 million (six months ended 30 June 2006: Rmb321 million) respectively were paid on 22 June 2007.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: 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 shareholders of the Company of Rmb4,802 million (six months ended 30 June 2006: Rmb3,109 million) and the weighted average number of shares in issue during the six months ended 30 June 2007 of 5,933 million (six months ended 30 June 2006: 5,438 million).

(b) Diluted earnings per share

There were no dilutive potential equity shares in existence as at 30 June 2006 and 2007.

8 Construction in progress

The acquisitions and transfer of items of construction in progress during the six months ended 30 June 2006 and 2007 are as follows:

	Six months ended 30 June	
	2007	2006
	Rmb million	*Rmb million*
Additions	**3,487**	2,297
Through acquisition of ANSI	**—**	2,477
Transfer to property, plant and equipment	**(1,639)**	(4,551)

9 Amounts due from fellow subsidiaries

As at 30 June 2007, the prepayments amounted to Rmb3,407 million (31 December 2006: Rmb380 million) were made to fellow subsidiaries for the purchase of plant and equipment for the construction projects in progress and raw materials for production.

10 Trade receivables

	At 30 June 2007 *Rmb million*	At 31 December 2006 *Rmb million*
Accounts receivable	**831**	320
Bills receivable	**1,670**	1,409
	2,501	1,729

The ageing analysis of trade receivables is as follows:

	At 30 June 2007 *Rmb million*	At 31 December 2006 *Rmb million*
Less than 3 months	**2,087**	1,664
More than 3 months but less than 12 months	**410**	61
More than 1 year but less than 2 years	**4**	4
	2,501	1,729

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.

11 Cash and cash equivalents

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

As at 30 June 2007, a deposit of Rmb1,024 million (31 December 2006: Rmb1,449 million) was placed in Angang Group Financial Company Limited ("Angang Finance"), a fellow subsidiary of the Company.

12 Trade payables

	At 30 June 2007 *Rmb million*	At 31 December 2006 *Rmb million*
Accounts payable	**1,136**	1,199
Bills payable	**1,455**	1,338
	2,591	2,537

The ageing analysis of trade payables is as follows:

	At 30 June 2007 *Rmb million*	At 31 December 2006 *Rmb million*
Due on demand	**53**	34
Due within 3 months	**1,841**	1,917
Due after 3 months but within 6 months	**697**	586
	2,591	2,537

13 Bank loans

	At 30 June 2007 *Rmb million*	At 31 December 2006 *Rmb million*
Unsecured floating rate loans	**20,862**	16,154
Secured floating rate loan	**281**	319
	21,143	16,473
Less: bank loans due within one year classified as current liabilities	**(7,916)**	(7,384)
	13,227	9,089

Among the unsecured loans of the Group as at 30 June 2007, Rmb3,103 million (31 December 2006: Rmb 4,003 million) were guaranteed by Angang Holding.

In October 2002, ANSC-TKS entered into a long-term loan facility of Rmb1,080 million (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 Rmb1,043 million at 30 June 2007 (31 December 2006: Rmb1,099 million).

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

As at 30 June 2007, a bank loan totalling Rmb 45 million (31 December 2006: Rmb 30 million), was secured by the machinery of Changchun FAM with a carrying of Rmb 65 million (31 December 2006: Rmb 43 million).

As at 30 June 2007, loans from Angang Finance, a subsidiary of Angang Holding, amounted to Rmb 4,700 million (31 December 2006: Rmb 3,700 million).

14 Long-term payable to ultimate holding company

According to the acquisition agreement dated 20 October 2005 ("Acquisition Agreement"), the Company acquired the entire equity interest of ANSI from Angang Holding, the ultimate holding company of the Company, for Rmb19.69 billion plus final adjustments as stated in the Acquisition Agreement. The Acquisition was completed in January 2006 and the total final consideration amounted to Rmb19.712 billion.

The Company issued 2.97 billion A shares of Rmb1 each at Rmb4.29 per share (equivalent to Rmb12.74 billion) to Angang Holding as a partial payment for the consideration of the Acquisition. The remaining balance of the purchase consideration amounted to Rmb6,972 million to be paid in three equal instalments and bears interest at rates quoted by People's Bank of China for the same period. Up to 30 June 2007, the Company has repaid Rmb2,324 million. The remaining purchase consideration amounted to Rmb4,648 million will be paid in two equal instalments in the second half of 2007 and 2008 respectively.

15 Commitments

(a) The Group had capital commitments outstanding as at 30 June 2007 not provided for in the consolidated financial statements as follows:

	At 30 June 2007 *Rmb million*	At 31 December 2006 *Rmb million*
Authorised and contracted for:		
— Construction projects of production lines	**12,597**	11,264
— Investments	**70**	167
Authorised but not contracted for:		
— Improvement projects of production lines	**12,763**	16,596
	25,430	28,027

Included in the Group's capital commitments were the Group's proportionate share of the jointly controlled entities' capital commitments amounting to Rmb1,574 million as at 30 June 2007 (31 December 2006: Rmb1,748 million).

15 Commitments *(Continued)*

(b) In October 2002, a jointly controlled entity of the Company, ANSC-TKS, obtained a Syndicated Loan of Rmb1,080 million 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 Rmb1,043 million at 30 June 2007 (31 December 2006: Rmb1,099 million).

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

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 million and will be reduced to US$4 million after the tenth repayment date.

(c) ANSC-TKS entered into a non-cancellable contract on 21 September 2006 which related to waste water processing. As at 30 June 2007, the total future minimum lease payments under this non-cancellable lease are payable as follows:

	At 30 June 2007	At 31 December 2006
	Rmb million	*Rmb million*
Within 1 year	**2**	—
After 1 but within 5 years	**10**	—
After 5 years	**15**	—
	27	—

16 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 (its associate and a subsidiary of Angang Holding), TKAS (Changchun) Tailored Blanks Ltd. ("TKAS"; its associate) and Angang Holding and its business undertakings ("Angang Group") during the period.

(a) Significant transactions and balances with Angang Group

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

		Six months ended 30 June	
		2007	2006
	Note	***Rmb million***	*Rmb million*
Sales of finished goods	(a)	**2,098**	3,505
Sales of scrap materials	(a)	**77**	79
Fee received for utilities and services provided	(b)	**254**	204
Sales of assets	(c)	**25**	—
Purchase of raw materials	(d)	**6,710**	4,891
Purchase of ancillary materials and spare parts	(e)	**710**	613
Utility supplies	(f)	**805**	525
Fees paid for welfare and other support services	(g)	**3,324**	1,210
Interest received	(h)	**5**	2
Interest paid	(h)	**239**	236

16 Related party transactions *(Continued)*

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

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

Notes:

(a) The Company sold finished products and returned scrap materials to Angang Group for their own consumption mainly at selling prices based on the average prices charged to independent customers for the preceding month or market prices.

(b) The Company provided utilities and services, such as gas, electricity, steam and transportation, to Angang Group at applicable State prices, production cost plus 5%, or market prices.

(c) The Company sold certain assets to Angang Group for their own use at selling prices based on market value.

(d) The Company purchased its principal raw material, from Angang Group at prices determined and modified on a semi-annual basis. The purchase price is mainly no higher than the average prices quoted to the Company for importing principal raw materials of similar quality plus freight charges in the previous interim period or the average prices charged by independent suppliers plus 10% mark up of processing costs (if applicable).

(e) The Company purchased from Angang Group ancillary materials in the form of steel products and spare parts at selling prices no higher than the average prices of such materials charged by Angang Group to independent customers for the preceding month.

(f) The Company purchased electricity from Angang Group mainly at State prices.

16 Related party transactions *(Continued)*

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

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

Notes: (Continued)

(g) Angang Group provided certain supporting services to the Company. These services include railway and road transportation services; agency services for import of raw materials, equipment, spare parts and ancillary materials; agency services for domestic sales and export of products; equipment examination, repair and maintenance; design and engineering services; construction project agency and management services and other employees' supporting services. Service fees were charged at applicable state prices, market prices, fixed rate commission or free of charge.

(h) Angang Group provided financial services in the form of deposit taking, settlement, borrowing and discounting services at State prices.

As at 30 June 2007, the deposit placed with Angang Finance amounted to Rmb1,024 million (31 December 2006: Rmb1,449 million) and the loans from Angang Finance amounted to Rmb 4,700 million (31 December 2006: Rmb 3,700 million).

The deferred cash payment for the acquisition of ANSI bears interest at rates quoted by the People's Bank of China for the same period.

16 Related party transactions *(Continued)*

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

(ii) Bank loans

As at 30 June 2007, certain bank loans amounted to Rmb3,103 million (31 December 2006: Rmb4,003 million) were guaranteed by Angang Holding.

(iii) Amount due to ultimate holding company

Amount due to ultimate holding company mainly represents fees payable for support services and interest accrual for long-term payable to ultimate holding company.

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) Long-term payable to ultimate holding company

The amount represents deferred cash payment for the acquisition of 100% equity interest in ANSI. For details, please refer to note 14.

16 Related party transactions *(Continued)*

(b) Significant transactions with other related parties *(Continued)*

(1) Significant transactions relating to ANSC-TKS

(i) Equity investment of the Company 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 million and will be reduced to US$4 million after the tenth repayment date.

(ii) Sales of finished goods to ANSC-TKS by the Company

The Company sold finished products amounting to Rmb818 million (six months ended 30 June 2006: Rmb674 million) to ANSC-TKS for further processing.

(iii) ANSC-TKS's sales of finished goods and purchases of raw materials to/from TKS

ANSC-TKS purchased raw materials from and sold finished products to ThyssenKrupp Stahl AG (joint venturer of ANSC-TKS). The sales and purchases during the period were amounted to Rmb274 million (six months ended 30 June 2006: Rmb33 million) and Rmb874 million (six months ended 30 June 2006: Rmb28 million) respectively, of which Rmb137 million and Rmb437 million (six months ended 30 June 2006: Rmb17million and Rmb14 million) have been included in the sales and cost of sales of the Group's consolidated financial statements respectively.

16 Related party transactions *(Continued)*

(b) Significant transactions with other related parties *(Continued)*

(1) Significant transactions relating to ANSC-TKS *(Continued)*

(iv) Sale of finished products to TKAS

ANSC-TKS sold finished products to TKAS, under similar terms and pricing policies for independent parties. The sales during the six months ended 30 June 2007 amounted to Rmb38 million (For the year ended 31 December 2006: Nil)

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

(2) Transactions with key management personnel

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

	Six months ended 30 June	
	2007	**2006**
	Rmb million	*Rmb million*
Directors' and supervisors' fees	—	—
Salaries, allowance and other benefits in kind	1.55	1.51
Retirement scheme contributions	0.26	0.26
	1.81	1.77

16 Related party transactions *(Continued)*

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

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

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

- Sales and purchases of goods, property and other assets; and

- Depositing and borrowing money.

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

Having considered the potential for transactions to be impacted by related party relationships, the entity's pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of opinion that the following transactions with other state-controlled entities require disclosure:

16 Related party transactions *(Continued)*

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

(i) Transactions with other state-controlled entities, including state-controlled banks in the PRC

	Six months ended 30 June	
	2007	2006
	Rmb million	*Rmb million*
Sales	**7,830**	17,356
Purchases	**5,681**	5,090
Defined contribution scheme contribution	**125**	102

(ii) Balances with other state-controlled entities, including state-controlled banks in the PRC

	At 30 June 2007	At 31 December 2006
	Rmb million	*Rmb million*
Trade receivables	**1,582**	1,109
Receivables, prepayments, deposits and other receivables	**624**	210
Trade payables	**209**	996
Other payables	**1,861**	1,177
Short-term bank loans	**5,753**	6,884
Long-term bank loans	**9,930**	5,368
Cash and time deposits at banks	**428**	248

17 Non-adjusting post balance sheet events

(a) At the board of directors meeting held on 29 May 2007, a resolution was passed for the proposed rights issue (the "Proposed Rights Issue") to finance part of the investment of the Bayuquan Project. The proposed Rights Issue will be conducted on the basis of approximately 2 to 3 rights shares for every 10 existing shares. The Proposed Rights Issue has been submitted to China Securities Regulatory Committee for review and approval.

(b) At the board of directors meeting held on 27 July 2007, a resolution was passed to establish a subsidiary in Wuhan, Angang Steel Processing and Distribution Co., Ltd (Wuhan) ("Angang Wuhan"). The principal businesses of Angang Wuhan are steel processing, selling and distribution. The total investment cost is approximately Rmb 226 million.

(c) On 26 June 2007, ANSC-TKS signed a new Rmb long-term loan with Bank of China Liaoning Branch and China Industrial Bank Dalian Branch ("New Syndicated Loan"). ANSC-TKS will repay the Syndicated Loan as stated in Note 13 and 15(b) using the fund to be obtained from the New Syndicated Loan. The commitment and the pledge of the Company's equity in ANSC-TKS regarding the Syndicated Loan stated in Note 13 and 15(b) will be released after the repayment. As at the date of the interim financial report, the New Syndicated Loan has not been utilised and the Syndicated Loan has not been repaid.

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

Consolidated Balance Sheet (unaudited)

(Prepared under PRC Accounting Rules and Regulations)
30 June 2007
(Expressed in Rmb million)

Assets	*Note*	**30 June 2007** ***Rmb million***	31 December 2006 *Rmb million*
Current assets			
Cash at banks and on hand	6	**1,453**	1,698
Bills receivable	7	**1,670**	1,409
Trade receivables	8	**2,062**	648
Prepayments	9	**5,099**	611
Other receivables	10	**77**	68
Inventories	11	**7,953**	7,220
Total current assets		**18,314**	11,654
Non-current assets			
Available-for-sale financial assets	12	**81**	—
Long-term equity investments	13	**60**	59
Fixed assets	14	**32,321**	32,815
Construction in progress	15	**10,249**	8,401
Intangible assets	16	**5,694**	5,733
Deferred tax assets	17	**129**	132
Other non-current assets		**—**	4
Total non-current assets		**48,534**	47,144
Total assets		**66,848**	58,798

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Consolidated Balance Sheet (unaudited) *(Continued)*

(Prepared under PRC Accounting Rules and Regulations)
30 June 2007
(Expressed in Rmb million)

Liabilities and shareholders' funds	Note	30 June 2007 Rmb million	31 December 2006 Rmb million
Current liabilities			
Short-term loans	20	**5,165**	4,630
Bills payable	21	**1,455**	1,338
Trade payables	22	**1,300**	1,408
Receipts in advance	23	**3,604**	3,252
Salaries and other welfare payables	24	**297**	319
Taxes payable	5(4)	**664**	(12)
Interest payable	25	**136**	1
Other payables	26	**2,033**	1,170
Current portion of long-term liabilities	27	**5,076**	5,078
Total current liabilities		**19,730**	17,184
Non-current liabilities			
Long-term loans	28	**13,227**	9,089
Long-term payables	29	**2,330**	2,324
Deferred tax liabilities	17	**75**	78
Total non-current liabilities		**15,632**	11,491
Total liabilities		**35,362**	28,675

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Consolidated Balance Sheet (unaudited) *(Continued)*

(Prepared under PRC Accounting Rules and Regulations)
30 June 2007
(Expressed in Rmb million)

Liabilities and shareholders' funds *(continued)*	*Note*	**30 June 2007** ***Rmb million***	31 December 2006 *Rmb million*
Shareholders' funds			
Share capital	30	**5,933**	5,933
Capital reserve	31	**12,847**	12,847
Surplus reserves	32	**2,228**	2,228
Undistributed profits	33	**10,478**	9,115
Total shareholders' funds		**31,486**	30,123
Total liabilities and shareholders' funds		**66,848**	58,798

These financial statements have been approved by the board of directors on 21 August 2007.

Zhang Xiaogang	**Ma Lianyong**
Chairman	*Chief Accountant*

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Balance Sheet (unaudited)

(Prepared under PRC Accounting Rules and Regulations)

30 June 2007

(Expressed in Rmb million)

Assets	Note	30 June 2007 Rmb million	31 December 2006 Rmb million
Current assets			
Cash at banks and on hand	6	**1,224**	1,480
Bills receivable	7	**1,669**	1,409
Trade receivables	8	**2,096**	676
Prepayments	9	**5,009**	592
Other receivables	10	**71**	68
Inventories	11	**7,806**	7,036
Total current assets		**17,875**	11,261
Non-current assets			
Available-for-sale financial assets	12	**81**	—
Long-term equity investments	13	**793**	660
Fixed assets	14	**31,879**	32,401
Construction in progress	15	**10,086**	8,257
Intangible assets	16	**5,637**	5,681
Deferred tax assets	17	**129**	132
Total non-current assets		**48,605**	47,131
Total assets		**66,480**	58,392

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Balance Sheet (unaudited)*(Continued)*

(Prepared under PRC Accounting Rules and Regulations)

30 June 2007

(Expressed in Rmb million)

Liabilities and shareholders' funds	*Note*	**30 June 2007** ***Rmb million***	31 December 2006 *Rmb million*
Current liabilities			
Short-term loans	20	**5,150**	4,580
Bills payable	21	**1,455**	1,338
Trade payables	22	**1,278**	1,401
Receipts in advance	23	**3,575**	3,230
Salaries and other welfare payables	24	**296**	318
Taxes payable	5(4)	**668**	(3)
Interest payable	25	**135**	—
Other payables	26	**2,007**	1,149
Current portion of long-term liabilities	27	**5,034**	5,037
Total current liabilities		**19,598**	17,050
Non-current liabilities			
Long-term loans	28	**12,961**	8,811
Long-term payables	29	**2,324**	2,324
Deferred tax liabilities	17	**75**	78
Total non-current liabilities		**15,360**	11,213
Total liabilities		**34,958**	28,263

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Balance Sheet (unaudited)*(Continued)*

(Prepared under PRC Accounting Rules and Regulations)
30 June 2007
(Expressed in Rmb million)

Liabilities and shareholders' funds *(continued)*	*Note*	**30 June 2007** ***Rmb million***	31 December 2006 *Rmb million*
Shareholders' funds			
Share capital	30	**5,933**	5,933
Capital reserve	31	**12,847**	12,847
Surplus reserves	32	**2,228**	2,228
Undistributed profits	33	**10,514**	9,121
Total shareholders' funds		**31,522**	30,129
Total liabilities and shareholders' funds		**66,480**	58,392

These financial statements have been approved by the board of directors on 21 August 2007.

Zhang Xiaogang	**Ma Lianyong**
Chairman	*Chief Accountant*

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Consolidated Income Statement (unaudited)

(Prepared under PRC Accounting Rules and Regulations)
For the six months ended 30 June 2007
(Expressed in Rmb million)

		Six months ended 30 June	
		2007	2006
	Note	***Rmb million***	*Rmb million*
Turnover	34	**33,036**	25,024
Less: Cost of sales	35	**23,038**	18,650
Business tax and surcharges	36	**331**	206
Selling expenses		**747**	404
Administrative expenses		**1,656**	962
Financial expenses	37	**367**	402
Impairment losses on assets	38	**54**	(5)
Add: Investment income	39	**5**	—
Including: Investment income from jointly controlled entities and associates		**1**	—
Operating profit		**6,848**	4,405
Add: Non-operating income	40	**22**	6
Less: Non-operating expenses	41	**60**	63
Including: Loss on disposal of non-current assets		**43**	58
Total profit		**6,810**	4,348
Less: Income tax expense	42	**2,006**	1,239
Net profit		**4,804**	3,109

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Consolidated Income Statement (unaudited)*(Continued)*

(Prepared under PRC Accounting Rules and Regulations)

For the six months ended 30 June 2007

(Expressed in Rmb million)

		Six months ended 30 June	
		2007	2006
	Note	***Rmb million***	*Rmb million*
Earnings per share	52(1)		
Basic earnings per share		**0.810**	0.572
Diluted earnings per share		**0.810**	0.572

These financial statements have been approved by the board of directors on 21 August 2007.

Zhang Xiaogang	**Ma Lianyong**
Chairman	*Chief Accountant*

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Income Statement (unaudited)

(Prepared under PRC Accounting Rules and Regulations)
For the six months ended 30 June 2007
(Expressed in Rmb million)

	Note	Six months ended 30 June **2007** ***Rmb million***	 2006 *Rmb million*
Turnover	34	**32,804**	24,796
Less: Cost of sales	35	**22,848**	18,461
Business tax and surcharges	36	**331**	206
Selling expenses		**741**	395
Administrative expenses		**1,635**	952
Financial expenses	37	**354**	384
Impairment losses on assets	38	**55**	6
Add: Investment income	39	**40**	21
Including: Investment income from jointly controlled entities and associates		**36**	21
Operating profit		**6,880**	4,413
Add: Non-operating income	40	**20**	6
Less: Non-operating expenses	41	**60**	63
Including: Loss on disposal of non-current assets		**43**	58
Total profit		**6,840**	4,356
Less: Income tax expense	42	**2,006**	1,239
Net profit		**4,834**	3,117

These financial statements have been approved by the board of directors on 21 August 2007.

Zhang Xiaogang	**Ma Lianyong**
Chairman	*Chief Accountant*

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Consolidated Cash Flow Statement(unaudited)

(Prepared under PRC Accounting Rules and Regulations)
For the period ended 30 June 2007
(Expressed in Rmb million)

		Six months ended 30 June	
		2007	2006
	Note	***Rmb million***	*Rmb million*
Cash flows from operating activities:			
Cash received from sale of goods		**35,202**	26,044
Refund of taxes		**138**	250
Cash received in relation to other operating activities		**5**	2
Sub-total of cash inflows		**35,345**	26,296
Cash paid for goods and services		**(24,513)**	(17,771)
Cash paid to and on behalf of employees		**(967)**	(808)
Taxes paid		**(3,800)**	(2,014)
Cash paid in relation to other operating activities		**(405)**	(376)
Sub-total of cash outflows		**(29,685)**	(20,969)
Net cash flow from operating activities	43(1)	**5,660**	5,327

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Consolidated Cash Flow Statement(unaudited) *(Continued)*

(Prepared under PRC Accounting Rules and Regulations)
For the period ended 30 June 2007
(Expressed in Rmb million)

	Note	Six months ended 30 June 2007 Rmb million	2006 Rmb million
Cash flows from investing activities:			
Cash received from investment income		**4**	—
Cash received in relation to the acquisition of Angang New Steel & Iron Limited Company ("ANSI")	43(3)	**—**	593
Net proceeds from the disposal of fixed assets, intangible assets and other long-term assets		**68**	—
Cash received in relation to other investing activities		**160**	123
Sub-total of cash inflows		**232**	716
Cash paid for acquisition of fixed assets, construction in progress and other long-term assets		**(6,843)**	(2,662)
Cash paid for investments		**(81)**	—
Sub-total of cash outflows		**(6,924)**	(2,662)
Net cash flow from investing activities		**(6,692)**	(1,946)

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Consolidated Cash Flow Statement(unaudited) *(Continued)*

(Prepared under PRC Accounting Rules and Regulations)
For the period ended 30 June 2007
(Expressed in Rmb million)

		Six months ended 30 June	
		2007	2006
	Note	***Rmb million***	*Rmb million*
Cash flows from financing activities:			
Proceeds from loans		**11,268**	4,577
Sub-total of cash inflows		**11,268**	4,577
Repayment of loans		**(6,572)**	(6,306)
Cash paid for dividends and interest payment		**(3,879)**	(631)
Cash paid in relation to other financing activities		**(27)**	(20)
Sub-total of cash outflows		**(10,478)**	(6,957)
Net cash flow from financing activities		**790**	(2,380)
Effect of exchange rate fluctuations on cash held		**(3)**	(24)
Net (decrease)/increase in cash and cash equivalents	43(1)	**(245)**	977
Add: Cash and cash equivalents at the beginning of the period		**1,698**	562
Cash and cash equivalents at the end of the period	43(2)	**1,453**	1,539

These financial statements have been approved by the board of directors on 21 August 2007.

Zhang Xiaogang	**Ma Lianyong**
Chairman	*Chief Accountant*

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Cash Flow Statement (unaudited)

(Prepared under PRC Accounting Rules and Regulations)
For the period ended 30 June 2007
(Expressed in Rmb million)

		Six months ended 30 June	
		2007	2006
	Note	***Rmb million***	*Rmb million*
Cash flows from operating activities:			
Cash received from sale of goods		**34,944**	25,909
Refund of taxes		**123**	231
Cash received in relation to other operating activities		**3**	2
Sub-total of cash inflows		**35,070**	26,142
Cash paid for goods and services		**(24,388)**	(17,633)
Cash paid to and on behalf of employees		**(959)**	(804)
Taxes paid		**(3,783)**	(2,013)
Cash paid in relation to other operating activities		**(395)**	(370)
Sub-total of cash outflows		**(29,525)**	(20,820)
Net cash flow from operating activities	43(1)	**5,545**	5,322

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Cash Flow Statement (unaudited) *(Continued)*

(Prepared under PRC Accounting Rules and Regulations)
For the period ended 30 June 2007
(Expressed in Rmb million)

		Six months ended 30 June	
		2007	2006
	Note	***Rmb million***	*Rmb million*
Cash flows from investing activities:			
Cash received from investment income		**4**	—
Cash received in relation to the acquisition of ANSI	43(3)	**—**	569
Net proceeds from the disposal of fixed assets, intangible assets and other long-term assets		**61**	—
Cash received in relation to other investing activities		**160**	122
Sub-total of cash inflows		**225**	691
Cash paid for acquisition of fixed assets, construction in progress and other long-term assets		**(6,695)**	(2,654)
Cash paid for investments		**(178)**	—
Sub-total of cash outflows		**(6,873)**	(2,654)
Net cash flow from investing activities		**(6,648)**	(1,963)

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Cash Flow Statement (unaudited) *(Continued)*

(Prepared under PRC Accounting Rules and Regulations)
For the period ended 30 June 2007
(Expressed in Rmb million)

		Six months ended 30 June	
		2007	2006
	Note	***Rmb million***	*Rmb million*
Cash flows from financing activities:			
Proceeds from loans		**11,130**	4,240
Sub-total of cash inflows		**11,130**	4,240
Repayment of loans		**(6,387)**	(6,018)
Cash paid for dividends and interest payment		**(3,869)**	(615)
Cash paid in relation to other financing activities		**(27)**	(20)
Sub-total of cash outflows		**(10,283)**	(6,653)
Net cash flow from financing activities		**847**	(2,413)
Effect of exchange rate fluctuations on cash held		**—**	(23)
Net (decrease)/increase in cash and cash equivalents	43(1)	**(256)**	923
Add: Cash and cash equivalents at the beginning of the period		**1,480**	515
Cash and cash equivalents at the end of the period	43(2)	**1,224**	1,438

These financial statements have been approved by the board of directors on 21 August 2007.

Zhang Xiaogang	**Ma Lianyong**
Chairman	*Chief Accountant*

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Consolidated Statement of Changes in Shareholders Funds (Unaudited)

(Prepared under PRC Accounting Rules and Regulations)
For the period ended 30 June 2007
(Expressed in Rmb million)

	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total in equity
As at 31 December 2005	2,963	3,090	1,544	3,732	11,329
Accounting policy change (Note 4)	—	—	—	131	131
As at 1 January 2006	2,963	3,090	1,544	3,863	11,460
Current period changes					
Net profit	—	—	—	3,109	3,109
Capital injection	2,970	9,753	—	—	12,723
Dividend declared	—	—	—	(1,067)	(1,067)
As at 30 June 2006	5,933	12,843	1,544	5,905	26,225
As at 31 December 2006	5,933	12,847	2,228	8,826	29,834
Accounting policy change (Note 4)	—	—	—	289	289
As at 1 January 2007	5,933	12,847	2,228	9,115	30,123
Current period changes					
Net profit	—	—	—	4,804	4,804
Dividend declared	—	—	—	(3,441)	(3,441)
As at 30 June 2007	5,933	12,847	2,228	10,478	31,486

These financial statements have been approved by the board of directors on 21 August 2007.

Zhang Xiaogang
Chairman

Ma Lianyong
Chief Accountant

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Statement of changes in shareholders funds (Unaudited)

(Prepared under PRC Accounting Rules and Regulations)

For the period ended 30 June 2007

(Expressed in Rmb million)

	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total in equity
As at 31 December 2005	2,963	3,090	1,544	3,744	11,341
Accounting policy change (Note 4)	—	—	—	131	131
As at 1 January 2006	2,963	3,090	1,544	3,875	11,472
Current period changes					
Net profit	—	—	—	3,117	3,117
Capital injection	2,970	9,753	—	—	12,723
Dividend declared	—	—	—	(1,067)	(1,067)
As at 30 June 2006	5,933	12,843	1,544	5,925	26,245
As at 31 December 2006	5,933	12,847	2,228	8,832	29,840
Accounting policy change (Note 4)	—	—	—	289	289
As at 1 January 2007	5,933	12,847	2,228	9,121	30,129
Current period changes					
Net profit	—	—	—	4,834	4,834
Dividend declared	—	—	—	(3,441)	(3,441)
As at 30 June 2007	5,933	12,847	2,228	10,514	31,522

These financial statements have been approved by the board of directors on 21 August 2007.

Zhang Xiaogang
Chairman

Ma Lianyong
Chief Accountant

The accompanying notes on pages 89 to 195 form an integral part of these financial statements.

Notes to the Financial Statements

(Prepared under PRC Accounting Rules and Regulations)
For the period ended 30 June 2007
(Expressed in Rmb million)

1. STATUS OF THE COMPANY

Angang Steel Company Limited (formerly known as 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 overseas listed foreign invested ordinary 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 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 26 January 2006, the Company made an additional issue of 2,970,000,000 ordinary A shares with a par value of Rmb1.00 each at an issue price of Rmb4.29 each to Angang Holding for a total consideration of Rmb12.74 billion. Proceeds of the issue were used to partly finance the acquisition of the entire equity interest in ANSI (see Note 29).

1. STATUS OF THE COMPANY *(Continued)*

Upon the completion of the entire equity acquisition of ANSI, all the business, assets and liabilities of ANSI were transferred to the Company, and ANSI has applied for deregistration.

According to a special resolution approved by the shareholders in the annual general meeting on 20 June 2006, the Company changed its name from Angang New Steel Company Limited to Angang Steel Company Limited on 29 September 2006 upon the issuance of revised business license .

The Company and its jointly controlled entities (collectively referred to as the "Group") are principally engaged in ferrous metal smelting and steel pressing and processing.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared on the basis that the Group will continue to operate as a going concern throughout the next accounting period up to 30 June 2008.

(1) Announcement of compliance

The financial statements of the Group have been prepared in accordance with the Accounting Standards of Business Enterprises (2006) ("New Standards")issued by the Ministry of Finance of the PRC ("the Ministry"). The financial statements present fairly and completely the consolidated financial position and financial position of the Company as at 30 June 2007, and the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company for the period then ended.

In addition, the Group's financial statements are prepared in accordance with the disclosure requirement on consolidated financial statements and notes stated in regulation on the preparation of information disclosures of companies issuing public shares No. 15-General provisions on financial reports issued by China Securities Regulatory Commission (CSRC) in 2007.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Continued)*

(2) *Accounting year*

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

(3) *Measurement basis*

Except available-for-sale financial assets(note 3(10)), the measurement basis used in the preparation of the financial statements of the Group is the historical cost basis.

(4) *Reporting currency*

The Group's reporting currency is the Renminbi. The currency used in the preparation of financial statements is Renminbi.

3. SIGNIFICANT ACCOUNTING POLICIES

(1) *Consolidated financial statements*

Included in the Group's 2006 annual report issued on 10 April 2007, is a <Reconciliation Statement of Owners' Equity Between the New and Old Accounting Standards for Business Enterprises> ("reconciliation statement") prepared by the Group. As stipulated in <Accounting standards of business enterprises No. 33 — Consolidated Financial Statements> ("ASBE 33"), the basis of consolidation used in the preparation of the reconciliation statement was re-assessed based on whether control of an entity was obtained. According to ASBE33, jointly controlled entities should not be included in the consolidation scope of the consolidated financial statements.

As the company has no subsidiaries, the Company's interest in its jointly controlled entities and associates should be included in the company's financial statements using the equity method as stated in <Accounting Standard for Business Enterprises No. 2 — Long-term Equity Investment>. Therefore, a reconciliation statement has been prepared on the basis of the Company's 2006 financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(1) Consolidated financial statements (Continued)

After the issuance of the reconciliation statement, an <Interpretation of Accounting Standard of Business Enterprises (2006)> (“Interpretation”), prepared by the MOF Accounting Bureau was subsequently published in April 2007. According to Chapter 34 (Consolidated Financial Statements), Section 6 “Old and New Accounting Standards Transition” of the Interpretation, in specific circumstances, an enterprise can choose to consolidate the results of it’s jointly controlled entities using the proportionate consolidation as an alternative to the equity method.

In preparing consolidated financial statement, the Company’s share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the Company’s financial statements using the proportionate consolidation method.

When the accounting period or accounting policies adopted by the jointly controlled entities differ from those of the Company, necessary adjustments are made in the consolidated financial statements according to the Company’s accounting period or accounting policies. Material group transactions, including any unrealised gains and intra-group balances, are eliminated during consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Translation of foreign currencies

Capital contributions in foreign currency have been translated into Renminbi at the spot exchange rates at the date of contribution. Other foreign currency transactions are translated into Renminbi at the spot exchange rates prevailing at the dates of each transaction.

Spot exchange rates are the Renminbi exchange rates as quoted by the People's Bank of China.

Foreign monetary items at each balance sheet date shall be translated using the closing rate. Except for those exchanges differences of principal and interest of foreign currency loans relating to the construction of qualifying assets (note 3(16)), other exchange differences are dealt with in the income statement of the current period. For non-monetary items denominated in foreign currencies that are measured in terms of historical cost, the original translated functional currency amount remains unchanged. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when that fair value was determined. The difference between the translated functional currency amount and the original functional currency amount is dealt with as follows: for non-monetary items where fair value changes are classified as at fair value of available-for-sale, the difference should be recorded in capital reserve; for non-monetary items where fair value changes are classified as at fair value through profit and loss, the difference should be dealt with in the income statement.

(3) Cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(4) Inventories

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

Cost comprises all costs of purchase, costs of conversion and other costs. Inventories are measured at their actual cost upon acquisition. The cost of inventories is calculated using the weighted average method and specific identification method. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of manufacturing overheads.

Except spare parts, any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale.

Low value consumables, packaging and other anciliary materials are amortised in full when being consumed, in proportion to the amount consumed or in two equal instalments (when first used and when completely used up) depending on their nature, and recorded as part of the cost of related assets or are dealt in the income statement for the current period.

Inventories are recorded by perpetual method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Long-term equity investments

(a) Investment in jointly controlled entities and associates

A jointly controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The investment in a jointly controlled entity or associate is initially recognized at the total price paid on acquisition of the investment for the long-term equity investment acquired by cash.

Where the Company has the power to jointly control or exercise significant influence over an investee enterprise, the long-term equity investment is accounted for under equity method of accounting.

- For the excess of the initial investment cost over the Company's share of the investors' equity in the net fair value of the investee enterprise's net assets, the former should be recognised as the initial investment cost; for the shortfall of the initial investment cost over the Company's share of the investors' equity in the net fair value of the investee enterprise's net assets, the latter should be recognised as the initial investment cost, the remaining difference is dealt with in the income statement in the current period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Long-term equity investments (Continued)

(a) Investment in jointly controlled entities and associates *(Continued)*

- After the acquisition of investment, the Company recognises investment income and adjust the carrying amount of long-term equity investment in jointly controlled entities and associate in the share of the investor's profit or loss; reduce the carrying amount of the long-term equity investment in the share of the announcement of profit or dividend of the investee.

  The Company should base on the fair value of the identifiable assets of the investee when acquiring the investment in calculating the share of profit or loss of the investee. For those investees which adopt different accounting period or accounting policies, necessary adjustments have been made to their financial statements in accordance with those of the Company under equity method.

For the long-term equity investment in jointly controlled entities and associates, provision for impairment loss is made in accordance with Note 3(9).

(b) Investment in entities with no control, joint control or significant influence, which does not have an active market, and whose fair value can not be measured reliably.

The initial recognisation and measurement of the investment is the same as the method for investment in jointly controlled entities and associates and is subsequently measured using the cost method.

For the long-term investment with no control, joint control or significant influence, which does not have an active market, and whose fair value can not be measured reliably, provision for impairment loss is made in accordance with Note 3(10).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(6) Fixed assets and construction in progress

Fixed assets are tangible assets held by the Group for use in the production of goods and for administrative purposes. They are expected to be used for more than one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment loss (see Note 3(9)). Construction in progress is stated in the balance sheet at cost less impairment loss (see Note 3(9)).

All direct and indirect costs that are related to the purchase of fixed assets, incurred before the assets are ready for their intended use are capitalised as construction in progress. Those costs included borrowing costs arising from the construction of qualifying fixed assets.

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.

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The respective estimated useful lives and residual values are as follows:

	Estimated remaining useful-life	**Estimated residual value**
Buildings and plants	10 to 20 years	3% - 5%
Machinery and equipment	6 to 15 years	3% - 5%
Other fixed assets	2 to 12 years	3% - 5%

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(7) Leased assets

A lease can be classified as a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, whether or not the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

Assets acquired under finance leases

Fixed assets acquired by way of finance leases by the Group are stated under fixed assets at an amount equal to the lower of their fair value (the lessor) and the present value of the minimum lease payments at the inception of the lease. At the inception of the lease, the minimum lease payments are recorded as long-term payables under finance leases. The difference between the fair value of the leased assets and the minimum lease payments is recognised as unrecognised finance charges under finance leases. The initial direct expenses arising from the finance lease are recognized in the assets acquired under finance leases. Depreciation of leased assets is calculated using the straight line method.

If there is reasonable certainty that the Company will obtain ownership of the leased assets at the end of the lease term, the leased assets are depreciated over their estimated useful lives. If there is no reasonable certainty that the Company will obtain ownership of the leased assets at the end of the lease term, the leased assets are depreciated over the shorter of the lease term or their estimated useful lives.

Unrecognised finance charges under finance leases of the Group are amortised using an effective interest rate method over the lease term. At the year end, long-term payables under finance leases are netted against the unrecognised finance charges under finance leases and included in long-term payables and long-term payables due within one year in the balance sheet.

The Group makes provision for impairment loss on assets acquired under finance leases (see Note 3(9)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(8) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see Note 3(9)). For intangible assets with finite useful life, its cost less impairment losses and residual value is amortised on a straight-line basis over estimated useful life. The respective amortisation periods for the intangible assets are as follows:

	Amortisation period
Land use rights	50 years
Acquired software	3 to 10 years
Industrial technology	6 to 10 years

An intangible asset shall be regarded by the Group as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. At balance sheet date, the Group has no intangible assets with indefinite useful life.

(9) Impairment of assets

The Group determined whether there was an indication of assets impairment using internal and external information at balance sheet date. The assets include:

- Fixed assets
- Construction in progress
- Intangible assets with finite useful life
- Long-term equity investments (except long-term equity investment using cost method with no active market price and whose fair value can not be measured reliably), etc

The Group performs impairment test on assets with indication of impairment to estimate the recoverable amount of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(9) Impairment of assets (Continued)

A cash generating unit is the smallest identifiable group of assets which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. When determining cash generating unit, the Group should consider whether the cash generating unit can generate cash inflow independently and also should consider various factors including how it monitors the entity's operations or how it makes decisions about continuing or disposing of the entity's assets and operations.

The recoverable amount of an asset or a cash generating unit is the greater of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it.

Fair value less costs to sell is the amount obtainable from the sales of the asset or cash generating unit in an arm's length transaction less the costs of disposal directly related to the asset. The present value of the future cash flows of an asset or a cash generating unit shall be determined by choosing an appropriate discount rate and discounting the estimated future cash flow arising from the continuing use of the asset and disposal of the asset at the end of its useful life while considering various factors such as the estimated future cash flows, the useful life and discount rate of an asset or a cash generating unit.

The calculation of the recoverable amount shows that if the recoverable amount is less than the carrying amount of the asset or cash generating unit, its carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss, which is stated in the income statement. At the same time, a provision is made for the corresponding impairment.

Once the asset impairment loss is recognized, it can not be reversed in subsequent accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(10) Financial instruments

Financial instruments of the Group include cash and cash equivalents, receivables, payables, loans and share capital, etc.

(a) Recognition and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the balance sheet when the Group is subject to the related financial instruments' contract terms.

Financial assets and financial liabilities are measured initially at fair value. For financial assets or financial liabilities measured at fair value through profit or loss, any attributable transaction costs are recognised in the income statement as incurred. For other categories of financial assets or financial liabilities, any attributable transaction costs are recognised in the initial cost.

- Receivables

  Receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

  After initial recognition, receivables are measured at amortised cost using the effective interest rate. But if the effect of discounting to present value is not significant, receivables are measured at cost less bad debts provision (see note 3(9))

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(10) Financial instruments (Continued)

(a) Recognition and measurement of financial assets and financial liabilities *(Continued)*

- Available-for-sale financial assets

  Available-for-sale financial assets are those non-derivative financial assets that are designated upon initial recognition as available for sale; or are not classified as other categories.

  Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost after initial recognition.

  Except the equity securities stated above, whose fair value cannot be reliably measured, other available-for-sale financial assets are measured at fair value after initial recognition. A gain or loss arising from a change in the fair value, except for impairment losses and foreign exchange gains and losses, is recognised directly in equity. Until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(10) Financial instruments (Continued)

(a) Recognition and measurement of financial assets and financial liabilities *(Continued)*

- Other financial liabilities

  Other financial liabilities are financial liabilities except those measured at fair value through profit or loss.

  Financial guarantees in other financial liabilities are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

  Where the Group issues a financial guarantee, the financial guarantee is subsequently measured at the higher of initial cost (being the transaction price, unless the fair value can otherwise be reliably estimated) less accumulated amortisation and the contingent liability determined in accordance with policies of contingent events (see note 3(13)).

  Financial liabilities are measured at amortised cost applying effective interest rate except the other financial liabilities stated above. Effective interest rate is an interest rate which is calculated by discounting the estimated future cash flow through the expected life (or, where appropriate, a shorter period) of the financial liability to the net carrying amount of the liability. But if the effect of discounting to present value is not significant, they are measured at cost.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(10) Financial instruments (Continued)

(b) Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are reviewed by the Group at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

- Receivables

  For receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (excluding future credit losses that have not been incurred) and dealt with in the income statement for the current period if objective evidence of impairment exists.

  If in a subsequent period, the amount of an impairment loss recovered and the recovery can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(10) Financial instruments (Continued)

(b) Impairment of financial assets (continued)

- Available-for-sale financial assets

  When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be transferred out from equity and recognised in profit or loss even though the financial asset has not been derecognised.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss. Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss.

- Unquoted equity securities whose fair value cannot be reliably estimated

  For unquoted equity securities whose fair value cannot be reliably estimated, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Impairment losses for equity securities are not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(10) Financial instruments (Continued)

(c) Estimation of fair value

For quoted financial assets or financial liabilities, fair value is based on quoted prices in an active market. Fair values for the unquoted financial instruments are estimated using a valuation technique.

Valuation techniques include using recent arm's length market transactions between knowledge, willing parties, if available; reference to the current fair value of another instrument that is substantially the same; and discounted cash flow techniques. The Group calibrates the valuation technique and tests it for validity periodically.

(d) De-recognition of financial assets and financial liabilities

When the contractual rights to the cash flows from a financial asset expire or when the risks and rewards of ownership of the financial asset are transferred, the financial asset is de-recognised.

Where the entire transfer of financial assets meets conditions applicable to de-cognition, the difference between the following amounts are recognised in profit or loss:

- the carrying amount of the financial asset; and
- the consideration received and any cumulative gain or loss that had been recognised directly in equity.

A financial liability (or a part of a financial liability) is de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(10) Financial instruments (Continued)

(e) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Consideration received by the Group upon issuance of equity instrument, less any attributable transaction costs, is recognized in share capital and capital reserve.

Consideration paid for the repurchase of the Group's own equity instruments, plus the associated transaction costs, is charged to shareholders' equity.

(11) Employee benefits

Employee benefits include various payments and other related expenses paid in return for services rendered by employees. All benefits payable (other than termination benefits) in the accounting year in which services are rendered by employees are recognised in liability, and the cost of assets or expenses are correspondingly increased.

(a) Retirement benefits

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a basic social retirement scheme arranged by the local labour and social security organisation. The Group makes contributions to the retirement scheme at the applicable rate(s) in accordance with the contribution base and proportions set by the local government. The contributions are charged to the income statement on an accrual basis. When employees retire, the local labour and social security organisation is responsible for paying their basic social pension.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Employee benefits (Continued)

(b) Housing fund and other social security insurance

Pursuant to the relevant laws and regulations in the PRC, other than retirement benefits, the Group makes contributions to a housing fund, as well as unemployment insurance, industrial injury insurance and maternity insurance at applicable rate(s) based on the employees' salaries. The contributions made to the fund and the above mentioned insurance schemes are charged to the income statement on an accrual basis.

(c) Termination benefits

The Group provides termination benefits if it decides to terminate an employee's employment before their contract of employment has expired, or makes an offer to encourage voluntary redundancy. The termination benefits, which are the accrued liabilities anticipated from the termination, are recognised in the income statement after both the following conditions have been satisfied:

- the Group has and approve a detailed formal plan for the termination of employment or has made an offer of voluntary redundancy, which will be implemented shortly; and

- the Group has no realistic possibility of unilateral withdrawal from the termination or the voluntary redundancy offer.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(12) Income tax

Current tax and deferred tax expenses (or income) are recognized by the Group in the income statement except to the extent that they relate to transactions or events recognised directly in equity, in which case they are recognised in equity.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits in subsequent years. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available to offset deductible temporary differences.

Temporary differences in a transaction, which is not a business combination, and at the time of transaction, affects neither accounting profit nor taxable profit (or unused tax losses), will not result in deferred tax. Neither will temporary differences arising from the initial recognition of goodwill resulting in related deferred tax.

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(12) Income tax (Continued)

Carrying amounts of deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

(13) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event and 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 an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(14) Revenue recognition

Revenue is the total inflow of economic benefits generated from the Group's ordinary activities, which causes shareholders' fund to increase but is unrelated to a shareholder's injection of capital. Revenue is recognised only when it is probable that economic benefits will flow to the enterprise and cause assets to increase or liabilities to decrease, and that the amount of the economic benefits' inflow can be measured reliably. Revenue is recognised specifically as follows:

(a) Sale of goods

Revenue from the sales of goods is recognised when all the following conditions are fulfilled:

- the major risks and rewards in relation to the entitlement to goods are transferred to buyers;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(14) Revenue recognition (Continued)

(a) Sale of goods *(Continued)*

- the Group neither retains its standard management entitlement nor exercises effective control over the goods sold;
- the amount of revenue and the costs incurred or to be incurred from the transaction can be measured reliably; and
- it is probable that economic benefits from the transaction will flow to the Group

(b) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised in the income statement by reference to the stage of completion of the transaction.

The Group determined the progress of work performed basing on the services performed to date as a percentage of the total services to be performed.

(c) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(15) Government grants

Government grants are gratuitous monetary assets or non-monetary assets that the Group receives from the government, excluding capital injection by the government as an investor. Grants from the government for specific purposes, which are to be recorded in capital reserve according to relevant national regulations, are also capital investments in nature, and are not treated as government grants.

Government grants are recognised in the balance sheet when there is reasonable assurance that they will be received and that the group will comply with any attached conditions.

If a government grant takes the form of a transfer of a monetary asset, it is measured at the amount of cash received or receivable; for a non-monetary asset, it is measured at fair value.

Asset-related government grants received are recognised as deferred income, and carried evenly in the income statement over the assets' useful lives. Revenue-related government grants are recognised as deferred income, and stated in the income statement for the period in which the costs are charged if the grants compensate the Group for future expenses or losses; or directly recognised in the income statement if the grants compensate the Group for past expenses or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(16) Borrowing costs

Borrowing costs incurred by the Group on borrowings eligible for capitalisation for the acquisition or construction of qualified assets are capitalised into the cost of the related assets.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

During the capitalisation period, the Group identifies the amount of capitalised interest for each accounting period with the following methods (including the amortisation of premium and discount):

- To the extent that funds are borrowed specifically for the purpose of obtaining a particular qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment or interest income from bank deposit of those borrowings.

- To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalisation rate to the excess expenditure on that asset over specific borrowings. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Capitalisation period refers to the period from the commencement to the cessation of the capitalization of borrowing costs, excluding any temporary suspensions of capitalisation. Borrowing costs incurred during a period in which activities necessary to preparation an asset for its intended use or sale are interrupted abnormally, for which the interrupted period is over three months, do not qualify for capitalisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(17) Dividends appropriated to investors

Dividends or profit appropriations approved after the balance sheet date are disclosed in the balance sheet as a separate component under investors' equity and are not recognised as a liability at the balance sheet date.

(18) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Where enterprises are subject to state control but are otherwise unrelated, they are not related parties. The Group's related parties include but are not limited to:

(a) the parent;

(b) other entities subject to common control of the Company's parent;

(c) investors exercising joint control over the Group;

(d) investors exercising significant influence over the Group;

(e) the Group's jointly controlled entities;

(f) the Group's associates;

(g) primary investors and their close family members;

(h) members of key management personnel and their close family members;

(i) members of key management personnel of the parent company;

(j) close family members of key management personnel of the parent company; and

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(18) Related parties (Continued)

(k) other entities subject to control, joint control or significant influence by the Group's main investors, key management personnel or their close family members.

In addition to related parties of the Group recognised according to the requirements as stated in the New Standard, the following enterprises and individuals (include but are not limited to) are also recognised as related parties of the Group according to the requirements as stated in <<Guidelines on Information Disclosure for listed companies>> issued by the CSRC.

(l) persons acting in concert or enterprises holding more that 5% shares of the Company;

(m) individuals or their close family members holding more than 5% shares of the Company directly or indirectly;

(n) the above (a), (b) and (l) existed in the past 12 months or will exist in the future 12 months according to relevant agreements as planned;

(o) one of the above (h), (i) and (m) existed in the past 12 months or will exist in the future 12 months according to relevant agreements as planned; and

(p) entities directly or indirectly controlled, or the position of directors or key management personnel of entities held by (h), (i), (m) or (o), excluding the Company and its subsidiaries.

(19) Segment reporting

The Group discloses segment information based on principal businesses and geographical locations. A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES

(1) Changes in accounting policies and their effects

The Group initially applied New Standards on 1 January 2007. The new major accounting policies after adopting New Standards are shown in Note 3 .

The Group has issued H-shares. In previous years, the financial statements were issued using the applicable New Standards and the International Financial Reporting Standards (IFRS). Pursuant to the requirements of the <<Opinions on the implementation of Accounting Standards for Business Enterprises>> ("the Opinions") issued on 1 February 2007 by the Expert Working Group on issues in the Implementation of Accounting Standards for Business Enterprises set up by the China Accounting Standards Committee, the Group, on the first day of adopting news standards , made retrospective adjustments based on the following principles to items affected by the change in accounting policies.

Where the principles stipulated in New Standards differ from those of the accounting standards adopted in prior years, and if the Group had adopted the principles stipulated in ASBE (2006) while preparing the financial statements in accordance with the IFRS in prior years, the Group, based on the information used in preparing the IFRS financial statements, made retrospective adjustments to those items affected by the change in accounting policies. In addition, retrospective adjustments were made to other items in accordance with the related requirements of <<Nes standards No. 38 — First time adoption of Accounting Standards for Business Enterprises>>.

Aside from the retrospective adjustments as described below made to items (c) and (e) in accordance with the requirements of the Opinions and New Standards No. 38, the Group has made no other retrospective adjustments to items affected by the change in accounting policies.

Significant changes in accounting policies due to the adoption of New Standards are as follows:

4. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(1) Changes in accounting policies and their effects (Continued)

(a) Financial instruments

For financial assets, financial liabilities and equity instruments which had been recognised using historical cost method, The Group has reclassified and recognise them as fair value , amortised value or historical cost method according to the principles described in note 3(10).

As at 1 January 2007, the Group did not have any financial instruments that require retrospective adjustment.

(b) Reversals of impairment losses of long-term equity investments, fixed assets, construction in progress, intangible assets, etc.

Previously, impairment losses recognised in prior periods for long-term equity investments, fixed assets, construction in progress, intangible assets, etc., were reversed if there was indication that the recoverable value exceeded the book value.

Under New Standards, reversal is prohibited.

The Group did not perform retrospective adjustment on accounting policies changes on impairment losses as stated above.

(c) Income tax

Previously, the Group's income tax is recognized when payable under the tax payable method. Under New Standards, Income tax is recognised using the liability method.

As at 1 January 2007, the Group retrospectively adjusted relevant items in the 2006 comparative financial statements to take into account the income tax effect arising from temporary differences. Such temporary differences arise from the difference between the tax base and the book value of assets and liabilities. The retrospective adjustment increased deferred assets amounted to Rmb132 million and deferred tax liabilities amounted to Rmb78 million with a net effect on retained earnings amounted to Rmb54 million.

4. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(1) Changes in accounting policies and their effects (Continued)

(d) Government grants

Asset-related government grants (excluding government capital injections as an investor) were previously recognised in capital reserve once they met the grants' conditions. Under New Standards, they are recognised in deferred income, and charged evenly to the income statements over the related assets' useful lives.

As the amounts of government grants in prior years are not significant, the Group did not perform retrospective adjustment on accounting policies changes on government grants as stated above.

(e) Borrowing cost

General borrowing costs incurred for the acquisition, construction or production of fixed assets (after deducting interest income from placing the unutilised loans in banks and investment income from temporary investment using the unutlised loans) for unused specific loans, for acquisition or construction of intangible assets as well as for production of qualifying inventories were previously recognised in the income statement as incurred. Under New Standards, such borrowing costs are capitalised into the cost of the related assets if the assets meet certain qualifying conditions.

As at 1 January 2007, the Group retrospectively adjusted for the changes in accounting policy for borrowing cost as discussed above. The retrospective adjustment increased construction in progress amounted to Rmb122 million, fixed assets amounted to Rmb130 million, accumulated depreciation amounted to Rmb17 million, with a net increase effect on retained earnings amounted to Rmb235 million after deducting accumulated depreciation from the cost of fixed asset.

4. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(1) Changes in accounting policies and their effects (Continued)

(f) Pre-operating expenses

Aside from the acquisition and construction of fixed assets, all expenses incurred during the start-up period were previously aggregated in long-term deferred expenses then fully charged to the income statement at the month in which operations commenced. Now, the expenses are recognised in the income statement as incurred.

As the amount of pre-operating expenses in the jointly controlled entities are not significant, the Group did not perform retrospective adjustment on accounting policies changes on pre-operating expenses as stated above. The balance of per-operating expenses as at the beginning of the year has been charged to general and administration expenses in 2007, resulting in a decrease in the net profit of 2007 amounted to Rmb4 million.

(g) Staff welfare

The Group previously accrued staff welfare at 14% of total staff salaries. Under New Standards, the Group recognises staff welfare according to the actual situation of the Company and the staff welfare plan.

The Group has transferred the balance of staff welfare into employee benefits (staff welfare). The Group has then adjusted the general and administration expenses of 2007 according to the difference between the balance transferred and actual liability related to employee benefits (staff welfare). The actual liability is recognised according to the condition of the Group and the staff welfare plan. The adjustment increased the net profit of 2007 amounted to Rmb37 million.

4. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(2) Effects of the above changes in accounting policies on the Group's net profits and the shareholders' equity in 2006 and in prior years are summarised as follows:

		The Group Shareholder's equity		The Company Shareholder's equity	
		2006 the end of the year	2006 the beginning of the year	2006 the end of the year	2006 the beginning of the year
	Note	*Rmb million*	*Rmb million*	*Rmb million*	*Rmb million*
Shareholder's equity before adjustments		29,834	11,329	29,840	11,341
General borrowing costs capitalised	4(1)e	235	67	235	67
Income tax	4(1)c	54	64	54	64
Total		289	131	289	131
Shareholder's equity after adjustments		30,123	11,460	30,129	11,472

4. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(2) Effects of the above changes in accounting policies on the Group's net profits and the shareholders' equity in 2006 and in prior years are summarised as follows: (Continued)

		The Group		The Company	
		2006	**2006**	**2006**	**2006**
		Year	**Half year**	**Year**	**Half year**
		Net profit	**Net profit**	**Net profit**	**Net profit**
	Note	*Rmb million*	*Rmb million*	*Rmb million*	*Rmb million*
Net profit before adjustments		6,845	3,043	6,839	3,051
General borrowing costs capitalised	4(1)e	168	99	168	99
Income tax	4(1)c	(10)	(33)	(10)	(33)
Total		158	66	158	66
Net profit after adjustments		7,003	3,109	6,997	3,117

4. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(3) Affected assets and liabilities as at 31 December 2006

		The Group			The Company		
		before adjustments	adjustments	after adjustments	before adjustments	adjustments	after adjustments
	Note	*Rmb million*	*Rmb million*	*Rmb million*	*Rmb million*	*Rmb million*	*Rmb million*
Fixed assets	4(1)e *	32,906	(91)	32,815	32,472	(71)	32,401
Prepayments	*	610	1	611	592	—	592
Deferred expenses	*	1	(1)	—	—	—	—
Construction in progress	4(1)e	8,279	122	8,401	8,135	122	8,257
Intangible assets	*	5,528	205	5,733	5,496	185	5,681
Long term deferred expense	*	4	(4)	—	—	—	—
Other non-current assets	*	—	4	4	—	—	—
Deferred tax assets	4(1)c	—	132	132	—	132	132
Trade payables	*	1,401	7	1,408	—	—	—
Salaries and other welfare payables	*	273	46	319	273	45	318
Tax payables	4(1)c	(21)	9	(12)	(12)	9	(3)
Other payables	*	1,223	(53)	1,170	1,202	(53)	1,149
Accrued expenses	*	9	(9)	—	—	—	—
Interest payables	*	—	1	1	—	—	—
Deferred income tax liabilities	4(1)c	—	78	78	—	78	78

* *The Group/the Company made retrospective adjustments to the balance sheet items as at 31 December 2006 according to Note 4(1). In addition, the Group/the Company also reclassified the balance sheet items as at 31 December 2006 in pursuant to the requirements of <<New Standards No. 38 — First time adoption of Accounting Standards for Business Enterprises>>.*

5. TAXATION

(1) The types of tax applicable to the Group's sales of goods and services include business tax ("BT") and value added tax ("VAT").

The BT rate:	5%
The VAT rate:	17%.

(2) Income tax

The applicable income tax rate of the Company for the period is 33% (2006: 33%).

(i) In accordance with Caishuizi (2003) No.244 issued by the Ministry and State Administration of Taxation on 27 November 2003, the Company enjoyed tax exemption relating to enterprise research and development cost amounting to Rmb512 million (six months ended 30 June 2006:Rmb 461 million).

(ii) In accordance with Caishuizi (94) No. 001 issued by the Ministry and State Administration of Taxation on 29 March 1994, the company enjoyed tax exemption relating to the outputs from environmental protection facilities amounting to Rmb210 million (six months ended 30 June 2006:Rmb121 million).

According to Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises, the Company's jointly controlled entities, ANSC-TKS Galvanizing Co., Ltd ("ANSC-TKS") and Changchun FAM Steel Processing and Distribution Company Limited ("Changchun FAM"), is exempt from income tax during its first two profitable years, starting from the first year when they have a profit after offsetting any previous years' losses. A 50% income tax exemption is granted to ANSC-TKS and Changchun FAM from the third profitable year to fifth profitable year. No income tax was provided by Changchun FAM as it incurred operating losses in this period. No income tax was provided by ANSC-TKS, as at the end of this period as ANSC-TKS had still not offset its accumulated loss.

5. TAXATION *(Continued)*

(2) Income tax (Continued)

No income tax was provided for the two jointly controlled entities of the Company: ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Company Limited ("ANSC-Dachuan"), and ANSC-TKS Changchun Steel Logistics Co., Ltd. ("TKAS-SSC"), as they had not begun their operations during the period and had no taxable income.

The background of the Group's jointly controlled entities which enjoy tax benefits is as follows:

Name of the companies	Income tax rate with tax benefits	Reason of benefits
ANSC-TKS	15%	Hi-Technology Enterprise
Changchun FAM	15%	Development Zone
TKAS-SSC	24%	Development Zone

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, it is expected that the income tax rate applicable to the Company and its jointly controlled entities will be unified to 25% from 1 January 2008. The jointly controlled entities of the Company, which were established in high-tech zone, are entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years or entitle a preferential income tax rates. The current preferential income tax rates will be gradually increased to the standard rate of 25% over a five-year transition period. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet as at 30 June 2007 in respect of current tax payable.

5. TAXATION *(Continued)*

(3) *Others*

The Company and ANSC-Dachuan 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 and business taxes, respectively. As ANSC-TKS, Changchun FAM and TKAS-SSC are foreign invested enterprises, they are exempt from city construction and maintenance tax, education surcharge and local education surcharge.

(4) *Taxes payable*

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	*Rmb Million*	*Rmb Million*
VAT payable	**235**	227	**240**	236
Income tax payable/ (refundable)	**239**	(261)	**239**	(261)
Individual income tax payable	**58**	7	**58**	7
Land use tax payable	**75**	—	**75**	—
City construction and maintenance tax payable	**29**	5	**29**	5
Education surcharge payable	**12**	2	**12**	2
Others	**16**	8	**15**	8
	664	(12)	**668**	(3)

6. CASH AT BANK AND IN HAND

The Group

	30 June 2007			31 December 2006		
	Original currency	**Exchange rate**	**Rmb / Rmb equivalent**	Original currency	Exchange rate	Rmb / Rmb equivalent
	Million		*Million*	*Million*		*Million*
Cash in hand						
Renminbi			**1**			1
Cash at bank						
Renminbi			**1,316**			1,564
US Dollars	**3.37**	**7.62**	**26**	4.87	7.81	38
Euro	**10.76**	**10.23**	**110**	9.25	10.27	95
			1,453			1,698

The Company

	30 June 2007			31 December 2006		
	Original currency	**Exchange rate**	**Rmb / Rmb equivalent**	Original currency	Exchange rate	Rmb / Rmb equivalent
	Million		***Million***	*Million*		*Million*
Cash in hand						
Renminbi			**1**			1
Cash at bank						
Renminbi			**1,223**			1,479
			1,224			1,480

As at 30 June 2007, a deposit of Rmb1,024 million (31 December 2006: Rmb1,449 million) was placed with Angang Group Financial Company Limited ("Angang Finance").

7. BILLS RECEIVABLE

All bills receivable held by the Group are bank accepted bills which have not been pledged and due within six month.

As at 30 June 2007, the Group and the Company's endorsed undue bills amounted to Rmb597 million (31 December 2006: Rmb940 million), and will mature before 31 December 2007. All the endorsed undue bills were endorsed without recourse.

During the period, there is no bills receivable transferred to accounts receivable due to the issuer's not fulfilling agreements.

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

(1) The analysis of trade receivables by customers is as follows:

	The Group				The Company			
	30 June 2007		31 December 2006		**30 June 2007**		31 December 2006	
	Rmb million	**%**	*Rmb million*	%	***Rmb million***	**%**	*Rmb million*	%
Subsidiaries of Angang Holding	**1,231**	**60%**	328	51%	**1,228**	**58%**	328	49%
Other related parties	**–**	**–**	–	–	**160**	**8%**	157	23%
Third parties	**831**	**40%**	320	49%	**708**	**34%**	191	28%
Subtotal	**2,062**	**100%**	648	100%	**2,096**	**100%**	676	100%
Less: Bad debts provision	**–**	**–**	–	–	**–**	**–**	–	–
Total	**2,062**	**100%**	648	100%	**2,096**	**100%**	676	100%

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

8. TRADE RECEIVABLES *(Continued)*

(1) The analysis of trade receivables by customers is as follows: (Continued)

As at 30 June 2007, the total trade receivables of the Group's /Company's five largest debtors are as follows:

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
Amount (Rmb Million)	**1,832**	582	**1,911**	647
Ageing	**Within one year**	Within one year	**Within one year**	Within one year
% of total accounts receivable	**89%**	90%	**91%**	96%

(2) The ageing analysis of trade receivables is as follows:

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	*Rmb Million*	*Rmb Million*
Within one year (including one year)	**2,057**	644	**2,091**	672
Between one and two years (including two year)	**2**	1	**2**	1
Between two and three years (including three year)	**1**	1	**1**	1
Over three years	**2**	2	**2**	2
Subtotal	**2,062**	648	**2,096**	676
Less: Bad debt provision	**—**	—	**—**	—
Total	**2,062**	648	**2,096**	676

8. TRADE RECEIVABLES *(Continued)*

(2) The ageing analysis of trade receivables is as follows: (Continued)

As at 30 June 2007, the management considers that major accounts receivable can be recovered, and the debtors have repayment capabilities, so proportion of bad debt provision is low.

During the period, the Group had no individually significant recovery of accounts receivable which a full provision or a significant provision was made in previous years.

Parts of the trade receivables are pledged by the Group as collateral for the syndicated loan (see Note 19 and 28).

9. PREPAYMENTS

(1) The analysis of prepayments by customers is as follows:

	The Group				The Company			
	30 June 2007		31 December 2006		**30 June 2007**		31 December 2006	
	Rmb million	**%**	*Rmb million*	%	***Rmb million***	**%**	*Rmb million*	%
Subsidiaries of Angang Holding	**3,407**	**67%**	380	62%	**3,404**	**68%**	380	64%
Third parties	**1,692**	**33%**	231	38%	**1,605**	**32%**	212	36%
Total	**5,099**	**100%**	611	100%	**5,009**	**100%**	592	100%

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

As at 30 June 2007, the individual prepayments which represent more than 30% of the balance of the Group's/the Company's prepayments are as follows:

Debtors name	**Reason for prepayemnts**	**Balance Rmb million**	**% of the Group's ending balance**	**% of the Company's ending balance**
Angng Group International trade corporation	Construction equipment and raw material	2,484	49%	50%

9. PREPAYMENTS *(Continued)*

(2) The ageing analysis of prepayments is as follows:

The Group

	30 June 2007		31 December 2006	
	Rmb Million	%	*Rmb Million*	%
Within one year (including one year)	5,092	100	606	99
Between one and two years (including two year)	7	—	5	1
Subtotal	5,099	100	611	100
Less: bad debt provision	—	—	—	—
Total	5,099	100	611	100

The Company

	30 June 2007		31 December 2006	
	Rmb Million	%	*Rmb Million*	%
Within one year (including one year)	5,002	100	587	99
Between one and two years (including two year)	7	—	5	1
Subtota	5,009	100	592	100
Less: bad debt provision	—	—	—	—
Total	5,009	100	592	100

The prepayments over one year are prepaid for spare parts with long procurement cycle.

10. OTHER RECEIVABLES

(1) The analysis of other receivables by customers is as follows:

	The Group		The Company	
	30 June 2007	**31 December** 2006	**30 June 2007**	**31 December** 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Third parties	**77**	68	**71**	68
Less: Bad debt provision	**—**	—	**—**	—
Total	**77**	68	**71**	68

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

Among the balance of other receivables, Rmb60 million is the proposed investment to Heilongjiang Longmei Mining Group (31 December 2006: Rmb 60 million).

As at 30 June 2007, the total other receivables of the Group's or Company's five largest debtors are as follows:

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
Amount(Rmb Million)	**73**	67	**70**	67
Ageing	**between one and three year**	between one and two year	**between one and three year**	between one and two year
% of total other receivables	**95%**	99%	**99%**	99%

10. OTHER RECEIVABLES

(2) The ageing analysis of other receivables is as follows:

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Within one year (including one year)	**27**	18	**21**	18
Between one year and two years (including two year)	**—**	50	**—**	50
Between two and three years (including three year)	**50**	—	**50**	—
Total	**77**	68	**71**	68

As at 30 June 2007, among the balance of other receivables due from Heilongjiang Longmei Mining Group, Rmb 10 million (31 December 2006: Rmb 10 million) is within one year and Rmb 50 million is beyond one year (31 December 2006: Rmb 50 million). The organization of Heilongjiang Longmei Mining Group is still under way.

As at 30 June 2007, the management considers that most of the other receivables can be recovered, and the debtors have repayment capabilities, so proportion of bad debt provision is low.

During the period, the Group had no individually significant recovery of other receivables which a full provision or a significant provision was made in previous years.

11. INVENTORIES

(1) The movement analysis of inventories is as follows:

The Group

	Balance at the beginning of the period *Rmb Million*	Additions *Rmb Million*	Decrease *Rmb Million*	Balance at the end of the period *Rmb Million*
Raw materials	2,954	20,186	(19,329)	3,811
Work in progress	1,315	22,199	(22,179)	1,335
Finished goods	2,260	22,179	(22,362)	2,077
Revolving materials	765	447	(417)	795
Materials in transit	19	20,307	(20,299)	27
Subtotal	7,313	85,318	(84,586)	8,045
Less: Provision for diminution in value	(93)	(1)	2	(92)
Total	7,220	85,317	(84,584)	7,953

The Company

	Balance at the beginning of the period *Rmb Million*	Additions *Rmb Million*	Decrease *Rmb Million*	Balance at the end of the period *Rmb Million*
Raw materials	2,860	20,096	(19,228)	3,728
Work in progress	1,315	22,059	(22,041)	1,333
Finished goods	2,164	22,041	(22,195)	2,010
Revolving materials	765	446	(416)	795
Materials in transit	19	20,307	(20,299)	27
Subtotal	7,123	84,949	(84,179)	7,892
Less: Provision for diminution in value	(87)	—	—	(87)
Total	7,036	84,949	(84,179)	7,806

11. INVENTORIES *(Continued)*

(2) The analysis of inventory provision for diminution in value is as follows:

The Group

Category	Balance at the beginning of the period *Rmb Million*	Provision made during the period *Rmb Million*	Decrease written back *Rmb Million*	Decrease due to sales *Rmb Million*	Balance at the end of the period *Rmb Million*
Raw materials	(50)	—	—	2	(48)
Finished goods	(4)	(1)	—	—	(5)
Revolving materials	(39)	—	—	—	(39)
Total	(93)	(1)	—	2	(92)

The Company

Category	Balance at the beginning of the period *Rmb Million*	Provision made during the period *Rmb Million*	Decrease written back *Rmb Million*	Decrease due to sales *Rmb Million*	Balance at the end of the period *Rmb Million*
Raw materials	(48)	—	—	—	(48)
Revolving materials	(39)	—	—	—	(39)
Total	(87)	—	—	—	(87)

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

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Available for sale equity instrument	**81**	—	**81**	—
Less: provision for impairment	**—**	—	**—**	—
Total	**81**	—	**81**	—

In March 2007, the Company subscribed 10 million A share common stock of Zhuzhou Smelter Company Ltd through non-public offering. The issuance price is Rmb8.10 per share. The Company hold 1.9 % interest in Zhuzhou Smelter Company Ltd, the restriction period for selling the shares in circulation is until 1 April 2008.

13. LONG-TERM EQUITY INVESTMENTS

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Investment in jointly controlled entities	**—**	—	**733**	601
Investment in associates	**50**	49	**50**	49
Other equity investment	**10**	10	**10**	10
Total	**60**	59	**793**	660

13. LONG-TERM EQUITY INVESTMENTS

(1) As at 30 June 2007, the Company's investment in jointly controlled entities are as follows:

	ANSC-TKS *Rmb Million*	ANSC-Dachuan *Rmb Million*	Changchun FAM *Rmb Million*	TKAS-SSC *Rmb Million*	Total *Rmb Million*
Initial cost of investment	533	120	45	48	746
Movement of investment					
Balance at the beginning of the period	438	70	45	48	601
Add: Additions	47	50	—	—	97
Adjustment using equity method (Note 39)	41	(1)	(3)	(2)	35
Balance at the end of the period	526	119	42	46	733

Pursuant to an Equity Pledge Agreement entered into between the Company and Bank of China, Liaoning Branch on 22 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 (see Note 28).

13. LONG-TERM EQUITY INVESTMENTS

(1) As at 30 June 2007, the Company's investment in jointly controlled entities are as follows: (Continued)

The background of the Company's jointly controlled entities is as follows:

Name of invested entities	Organization code	Registration location	Industry	Registed capital *Million*	Share of percentage	Share of percentage of Voting shares	Total assets *Rmb million*	Total liabilities *Rmb million*	Total turnover *Rmb million*	Net profit *Rmb million*
ANSC-TKS	71093688-2	China	Steel processing	USD132	50%	50%	1,946	894	1,275	83
ANSC -Dachuan	75990387-0	China	Steel processing	RMB140	50%	50%	240	1	—	(1)
Changchun FAM	76717649-0	China	Steel processing	RMB90	50%	50%	157	74	8	(7)
TKAS -SSC	785926056	China	Steel processing	USD12	50%	50%	92	1	—	(4)

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

(2) As at 30 June 2007, the Company's investment in associates are as follows:

	TKAS (Changchun) Tailored Blanks Ltd ("TKAS") *Rmb Million*	Angang Shenyang Steel Product Processing and Distribution Company Limited ("Angang Shenyang") *Rmb Million*	Total *Rmb Million*
Initial cost of investment	37	14	51
Movement of investment			
Balance at the beginning of the period	34	15	49
Add: Adjustment using equity method (Note 39)	1	—	1
Balance at the end of the period	35	15	50

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

(2) As at 30 June 2007, the Company's investment in associates are as follows: (continued)

The background of the Group's/Company's associates is as follows:

Name of invested entities	Organization code	Registration location	Industry	Registed capital	Share of percentage	Share of percentage of Voting shares	Total assets	Total liabilities	Total turnover	Net profit
				Million			*Rmb million*	*Rmb million*	*Rmb million*	*Rmb million*
TKAS	767159789	China	Steel processing	USD10	45%	45%	139	63	57	2
Angang Shenyang	73866644-x	China	Steel processing	Rmb48	30%	30%	86	35	204	—

(3) As at 30 June 2007, the Group's and the Company's other equity investment is as follows:

	WISDRI Engineering & Research Incorporation Limited	Total
	Rmb Million	*Rmb Million*
Initial cost of investment	10	10
Movement of investment		
Balance at the beginning of the period	10	10
Add: Additions	—	—
Balance at the end of the period	10	10

14. FIXED ASSETS

The Group

	Buildings and plants *Rmb Million*	Machinery and equipment *Rmb Million*	Others *Rmb Million*	Total *Rmb Million*
Cost				
Balance at the beginning of the period	11,792	27,720	1,871	41,383
Additions	36	46	1	83
Transferred from construction in progress (Note 15)	300	1,163	176	1,639
Disposals of fixed assets	(89)	(100)	(11)	(200)
Reclassification	(498)	345	153	—
Balance at the end of the period	11,541	29,174	2,190	42,905
Accumulated depreciation				
Balance at the beginning of the period	1,556	6,303	591	8,450
Charge for the period	385	1,477	186	2,048
Written back on disposal of fixed assets	(15)	(18)	(6)	(39)
Reclassification	(10)	8	2	—
Balance at the end of the period	1,916	7,770	773	10,459
Provision for impairment				
Balance at the beginning of the period	47	67	4	118
Charge for the period	27	25	3	55
Written back in the period	(34)	(14)	—	(48)
Balance at the end of the period	40	78	7	125
Carrying amount				
Balance at the end of the period	9,585	21,326	1,410	32,321
Balance at the beginning of the period	10,189	21,350	1,276	32,815

14. FIXED ASSETS *(Continued)*

The Company

	Buildings and plants *Rmb Million*	Machinery and equipment *Rmb Million*	Others *Rmb Million*	Total *Rmb Million*
Cost				
Balance at the beginning of the period	11,690	27,304	1,850	40,844
Additions	36	35	—	71
Transferred from construction in progress (Note 15)	287	1,128	176	1,591
Disposals of fixed assets	(89)	(91)	(11)	(191)
Reclassification	(500)	350	150	—
Balance at the end of the period	11,424	28,726	2,165	42,315
Accumulated depreciation				
Balance at the beginning of the period	1,544	6,200	581	8,325
Charge for the period	382	1,457	184	2,023
Written back on disposal of fixed assets	(15)	(16)	(6)	(37)
Reclassification	(10)	7	3	—
Balance at the end of the period	1,901	7,648	762	10,311
Provision for impairment				
Balance at the beginning of the period	47	67	4	118
Charge for the period	27	25	3	55
Written back in the period	(34)	(14)	—	(48)
Balance at the end of the period	40	78	7	125
Carrying amount				
Balance at the end of the period	9,483	21,000	1,396	31,879
Balance at the beginning of the period	10,099	21,037	1,265	32,401

14. FIXED ASSETS *(Continued)*

As at 30 June 2007, the cost of the fully depreciated fixed assets of the Group which are still in use amounted to Rmb2,196 million (31 December 2006: Rmb1,780 million).

Parts of the fixed assets are pledged by the Group as collateral for the syndicated loan and the long-term loans of Changchun FAM (see Note 19 and 28).

According to the expert opinion of the asset management departments, the Group made a provision for impairment of the fixed assets which can not bring economic benefits to the enterprise, due to technological obsolescence, damage, or other reasons. The recoverable amounts of these fixed assets were assessed based on their scrape value less costs to sell.

As at 30 June 2007, due to wear and tear and technical renovation, the Group/the Company plan to dispose the following assets:

	Cost Value	Accumulated depreciation	Impairment provision	Carrying amount	Fair vlue	Planned disposal expense	Planned disposal time
	Rmb Million	*Rmb Milllion*	*Rmb Million*	*Rmb Million*	*Rmb Million*	*Rmb Million*	
The Group/the Company							
Chemical plant III Renovation	61	10	34	17	9	2	August 2007
Small section asset to be renovated	39	5	33	1	1	–	October 2007
100-meter heavy Rail production line upgrade	28	16	12	–	–	–	October 2007
177 seamless petroleum Pipe production disposal	26	3	22	1	1	–	October 2007
Central power plant Ii revonation disposal	13	3	10	–	–	–	August 2007
Medium plant four Kun Reversible cold rolling mill renovation disposal	6	1	–	5	5	–	October 2007
Others	32	13	14	5	5	–	August to October 2007
Total	205	51	125	29	21	2	

14. FIXED ASSETS *(Continued)*

As at 30 June 2007, the Group leased machinery and equipment through financial lease(see note 29) is as follows:

	30 June 2007 *Rmb million*	31 December 2006 *Rmb million*
Cost	**8**	—
Less: Accumulated depreciation	**—**	—
Less: Impairment provision	**—**	—
Carrying amount	**8**	—

15. CONSTRUCTION IN PROGRESS

	The Group		The Company	
	30 June 2007 *Rmb Million*	31 December 2006 *Rmb Million*	**30 June 2007** ***Rmb Million***	31 December 2006 *Rmb Million*
Cost				
Balance at the beginning of the period/year	**8,401**	2,886	**8,257**	2,882
Acquisition of ANSI	**—**	2,477	**—**	2,468
Additions	**3,487**	10,456	**3,420**	10,325
Transfer to fixed assets (Note 14)	**(1,639)**	(7,418)	**(1,591)**	(7,418)
Balance at the end of the period/year	**10,249**	8,401	**10,086**	8,257

The balance of construction in progress as at the end of the period includes the capitalised interest expenses amounted to Rmb334 million (31 December 2006: Rmb204 million).

Interest expense of the Group for the period was capitalised at a rate of 5.63% (2006: 5.04%).

15. CONSTRUCTION IN PROGRESS *(Continued)*

As at 30 June 2007, the major projects under construction of the Group and the Company are as follows:

Projects	Budget *Rmb Million*	Balance at end of 2006 *Rmb Million*	Additions *Rmb Million*	Transfer to fixed asset *Rmb Million* *(Note 14)*	Balance at 30 June 2007 *Rmb Million*	% of budget	Capital source
Bayuquan project	22,600	5,135	1,761	—	6,896	31%	*Operating fund and specific bank loans
West project 2150	5,868	339	140	(271)	208	92%	*Operating fund
New #2,3,4 and 5 furnace	5,889	126	177	(146)	157	84%	*Operating fund
Cold rolling system upgrade	3,821	339	71	(301)	109	98%	*Operating fund and specific bank loans
Chemical plant renovation	3,782	792	514	—	1,306	61%	*Operating fund
West project 1450	2,900	890	107	(108)	889	34%	*Operating fund and specific bank loans
2130 continuous cold rolling line	2,704	90	63	(148)	5	100%	*Operating fund
Steel plant and Iron plant supporting project	730	24	37	(60)	1	93%	*Operating fund
ϕ177 petroleum pipe production line	780	34	44	—	78	10%	*Operating fund
100-metre heavy rail production line upgrade	302	36	265	(301)	—	100%	*Operating fund
Hot strip ASP line edger mill	70	64	3	(67)	—	95%	*Operating fund
Other projects		388	238	(189)	437		
Total of the Company		8,257	3,420	(1,591)	10,086		
Jointly controlled entities production line in construction	1004	144	67	(48)	163	21%	*Operating fund
Total of the Group		8,401	3,487	(1,639)	10,249		

15. CONSTRUCTION IN PROGRESS *(Continued)*

As at 30 June 2007, the Company has not obtained the land use right that is related to the construction of Bayuquan Project.

Parts of the construction in progress are pledged by the Group as collateral for the syndicated loan (see Note 19 and 28).

* Operating funds refer to non-specified loans and funds arising from normal business operations which are used in project expenditure.

16. INTANGIBLE ASSETS

The Group

	Land use rights	Acquired software	Industrial technology	Total
	Rmb Million	*Rmb Million*	*Rmb Million*	*Rmb Million*
Cost				
Balance at the beginning of the period	5,857	21	60	5,938
Additions	25	—	—	25
Balance at the end of the period	5,882	21	60	5,963
Accumulated amortisation				
Balance at the beginning of the period	186	7	12	205
Additions	59	1	4	64
Balance at the end of the period	245	8	16	269
Carrying amount				
Balance at the end of the period	5,637	13	44	5,694
Balance at the beginning of the period	5,671	14	48	5,733

16. INTANGIBLE ASSETS

The Company

	Land use rights *Rmb Million*	Acquired software *Rmb Million*	Industrial technology *Rmb Million*	Total *Rmb Million*
Cost				
Balance at the beginning of the period	5,835	6	32	5,873
Additions	19	—	—	19
Balance at the end of the period	5,854	6	32	5,892
Accumulated amortisation				
Balance at the beginning of the period	184	3	5	192
Additions	59	1	3	63
Balance at the end of the period	243	4	8	255
Carrying amount				
Balance at the end of the period	5,611	2	24	5,637
Balance at the beginning of the period	5,651	3	27	5,681

16. INTANGIBLE ASSETS *(Continued)*

Land use rights of the Group include contribution of Rmb227million made by Angang Holding, the amount of Rmb5,411 million acquired by the Company, the amount of Rmb197 million from the reclassification under the New Standards, the land use right made by ANSC-TKS amounted to Rmb22 million, the amount of Rmb19 million from the acquisition of Anshan first rolling mill, and the land use right made by Changchun FAM amounted to Rmb6 million. Land use rights are amortised over a remaining period of 30 to 48 years.

Acquired software is amortised on a straight-line basis over an estimated useful life of 3 to 10 years. Industrial technology purchased by the Group from Thyssenkrupp Steel AG ("Thyssen") is amortised over its beneficial period of 6 to 10 years.

Parts of the land use rights are pledged by the Group as collateral for the syndicated loan (see Note 19 and 28).

Up to the date of this report, the Group was in the process of applying for or changing registration of the title certificates of certain of its land use rights, which was related to acquisition of ANSI, with an aggregate carrying amount of approximately Rmb5,123 million as at 30 June 2007(31 December 2006: Rmb5,177 million). According to the purchase agreement signed between the Company and Angang Holding, the directors are of the opinion that the Company is entitled to lawfully and validly occupy or use the above mentioned land use right.

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets

	The Group				The Company			
	30 June 2007		31 December 2006		**30 June 2007**		31 December 2006	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets	**Deductible temporary differences**	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
	Rmb Million	***Rmb Million***	*Rmb Million*	*Rmb Million*	***Rmb Million***	***Rmb Million***	*Rmb Million*	*Rmb Million*
Provision for diminution in value of inventories	**87**	**29**	87	29	**87**	**29**	87	29
Provision for impairment of fixed assets	**125**	**41**	118	39	**125**	**41**	118	39
Accumulated depreciation of fixed assets	**23**	**8**	23	8	**23**	**8**	23	8
Unused wages balance	**151**	**49**	166	54	**151**	**49**	166	54
One-off house allowance	**5**	**2**	5	2	**5**	**2**	5	2
Total	**391**	**129**	399	132	**391**	**129**	399	132

Deferred tax liabilities

	The Group				The Company			
	30 June 2007		31 December 2006		**30 June 2007**		31 December 2006	
	Taxable temporary differences	**Deferred tax liabilities**	Taxable temporary differences	Deferred tax liabilities	**Taxable temporary differences**	**Deferred tax liabilities**	Taxable temporary differences	Deferred tax liabilities
	Rmb Million	***Rmb Million***	*Rmb Million*	*Rmb Million*	***Rmb Million***	***Rmb Million***	*Rmb Million*	*Rmb Million*
Capitalised interest expenses of general loan	**228**	**75**	235	78	**228**	**75**	235	78
Total	**228**	**75**	235	78	**228**	**75**	235	78

18. PROVISIONS FOR IMPAIRMENT ON ASSETS

As at 30 June 2007, the provisions for assets impairment of the Group are as follows:

Category	Note	Balance of the beginning of the period	Add: provision made	Written back	Less: Transfer out due to sales /disposal	Balance of the end of the period
	Note	*Rmb Million*	*Rmb Million*	*Rmb Million*	*Rmb Million*	*Rmb Million*
Provision for diminution in value of inventories	11	93	1	—	(2)	92
Provision for impairment of fixed assets	14	118	55	—	(48)	125
Total		211	56	—	(50)	217

As at 30 June 2007, the allowances for assets impairment of the Company are as follows:

Category	Note	Balance of the beginning of the period	Add: provision made	Written back	Less: Transfer out due to sales /disposal	Balance of the end of the period
	Note	*Rmb Million*	*Rmb Million*	*Rmb Million*	*Rmb Million*	*Rmb Million*
Provision for diminution in value of inventories	11	87	—	—	—	87
Provision for impairment of fixed assets	14	118	55	—	(48)	125
Total		205	55	—	(48)	212

About the reason of assets impairment provision made in this period, see notes of relevant assets.

19 Restrictions on ownership of assets

As at 30 June 2007, the restrictions on ownership of assets are as follows:

Category		Balance of the beginning of the period	Additions	Deductions	Balance of the end of the period
		Rmb Million	*Rmb Million*	*Rmb Million*	*Rmb Million*
Guaranteed assets					
— Accounts receivable	8	101	1,274	(1,284)	91
— Fixed assets	14	851	33	(46)	838
— Construciton in progress	15	148	—	(11)	137
— Intangible assets	16	42	—	—	42
Total		1,142	1,307	(1,341)	1,108

Parts of the accounts receivable, fixed asset, construction in progress and intangible assets are pledged or mortgaged by the Group as collateral for the syndicated loan (see Note 28).

20. SHORT-TERM LOANS

The Group	30 June 2007 Principal *Rmb Million*	30 June 2007 Interest rate p.a.		31 December 2006 Principal *Rmb Million*	31 December 2006 Interest rate p.a.	
Bank loans	**3,665**	**4.798% -5.913%**	**Credit**	4,130	4.86% -5.508%	Credit
Related parties loans	**1,500**	**4.86% -5.751%**	**Credit**	500	4.86% -5.022%	Credit
Total	**5,165**			4,630		

The Company	30 June 2007 Principal *Rmb Million*	30 June 2007 Interest rate p.a.		31 December 2006 Principal *Rmb Million*	31 December 2006 Interest rate p.a.	
Bank loans	**3,650**	**4.798% -5.913%**	**Credit**	4,080	4.86% -5.508%	Credit
Related parties loans	**1,500**	**4.86% -5.751%**	**Credit**	500	4.86% -5.022%	Credit
Total	**5,150**			4,580		

As at 30 June 2007, the balance of the Company's short-term borrowing from Angang Finance is Rmb1,500 million (31 December 2006: Rmb500 million).

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

21. 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.

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

22. TRADE PAYABLES

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Third parties	**1,136**	1,206	**1,114**	1,199
Angang Holding	**8**	13	**8**	13
Subsidiaries of Angang Holding	**156**	189	**156**	189
	1,300	1,408	**1,278**	1,401

No individually significant trade payables of the Group or the Company as at 30 June 2007 are aged over one year.

Angang Holding is a shareholder who holds 5% of or more of the Company's voting shares.

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

23. RECEIPTS IN ADVANCE

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Third parties	**3,059**	2,817	**3,030**	2,795
Subsidiaries of Angang Holding	**545**	435	**545**	435
	3,604	3,252	**3,575**	3,230

No individually significant receipts in advance of the Group or the Company as at 30 June 2007 are aged over one year.

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

24. SALARIES AND OTHER WELFARE PAYABLES

	Balance at the beginning of the period *Rmb Million*	Accrued in the period *Rmb Million*	Paid in the period *Rmb Million*	Balance at the end of the period *Rmb Million*
The Group				
Salaries, bonus, and allowance	213	631	(624)	220
Staff welfare	61	39	(75)	25
Social insurance	3	147	(149)	1
Basic pension	3	125	(127)	1
Unemployment insurance	—	13	(13)	—
Labor injury insurance	—	9	(9)	—
Housing fund	—	74	(74)	—
Labour union fee and staff education fee	42	22	(13)	51
Others	—	50	(50)	—
Total	319	963	(985)	297
The Company				
Salaries, bonus, and allowance	212	626	(619)	219
Staff welfare	61	38	(74)	25
Social insurance	3	146	(148)	1
Basic pension	3	124	(126)	1
Unemployment insurance	—	13	(13)	—
Labor injury insurance	—	9	(9)	—
Housing fund	—	74	(74)	—
Labour union fee and staff education fee	42	22	(13)	51
Others	—	48	(48)	—
Total	318	954	(976)	296

25. INTEREST PAYABLE

The interest payables of the Group including interest expenses of deferred cash payment of 100% equity interest in ANSI to Angang Holding (see Note 29) and interest expenses of foreign currency loans (see Note 28).

26. OTHER PAYABLES

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Construction costs	**1,773**	963	**1,752**	949
Freight charges	**79**	49	**79**	49
Performance guarantee	**88**	86	**88**	86
Deposit for steel shelves	**30**	34	**30**	34
Others	**63**	38	**58**	31
	2,033	1,170	**2,007**	1,149

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Third parties	**1,196**	740	**1,176**	721
Angang Holding	**1**	3	**1**	3
Subsidiaries of Angang Holding	**836**	427	**830**	425
	2,033	1,170	**2,007**	1,149

As at 30 June 2007, other payables whose aging is more than 1 year of the Group and the Company are payables for construction costs and deposit.

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

27. CURRENT PORTION OF LONG-TERM LIABILITIES

		The Group		The Company	
		30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Note	***Rmb Million***	*Rmb Million*	***Rmb Million***	*Rmb Million*
Long term loans	(1)	**2,751**	2,754	**2,710**	2,713
Long term payables	(2)	**2,325**	2,324	**2,324**	2,324
Total		**5,076**	5,078	**5,034**	5,037

(1) The analysis of the current portion of long term loans is as follows:

	30 June 2007				31 December 2006			
	Original Currency ***Million***	**Exchange rate**	**Rmb/Rmb equivalent** ***Million***	**Original Interest rate p.a,** *(Note)*	Currency *Million*	Exchange rate	Rmb/Rmb equivalent *Million*	Interest rate p.a.
The Group								
Bank loans								
— Renminbi			**2,144**	**4.941% - 6.7%**			2,641	4.941% - 6.12%
— Euro	**0.12**	**10.23**	**1**	**0.25%**	0.12	10.27	1	0.25%
— Japanese yen	**1,719**	**0.0618**	**106**	**0.27%**	1,707.32	0.0656	112	2.70%
Borrowings from related parties			**500**	**5.427%**			—	
Total			**2,751**				2,754	

27. CURRENT PORTION OF LONG-TERM LIABILITIES *(Continued)*

(1) The analysis of the current portion of long term loans is as follows: (Continued)

	30 June 2007				31 December 2006			
	Original Currency *Million*	**Exchange rate**	**Rmb/Rmb equivalent** *Million*	**Original Interest rate p.a,** *(Note)*	Currency *Million*	Exchange rate	Rmb/Rmb equivalent *Million*	Interest rate p.a.
The Company								
Bank loans								
— Renminbi			**2,103**	**4.941% - 5.76%**			2,600	4.941% - 5.76%
— Euro	**0.12**	**10.23**	**1**	**0.25%**	0.112	10.27	1	0.25%
— Japanese yen	**1,719**	**0.0618**	**106**	**2.7%**	1,707.32	0.0656	112	2.70%
Borrowings from related parties			**500**	**5.427%**			—	
Total			**2,710**				2,713	

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

(2) Rmb2,324 million of the ending balance represents the remaining deferred cash payment of 100% equity interest in ANSI that is to be paid to Angang Holding within one year and the remaining Rmb1 million of the ending balance represents the net balance after deducting the unrecognized finance charges from the long-term payables due within one year under finance lease (see Note 29).

Among the balance of current portion of long-term liabilities, except the deferred cash payable to Angang Holding, no other balance is due to a shareholder who holds 5% or more of the Company's voting shares.

28. LONG-TERM LOANS

	Term of the loans *Years*	Original Currency *Million*	Exchange rate	Rmb/Rmb equivalent *Million*	Interest rate p.a,	Original Currency *Million*	Exchange rate	Rmb/Rmb equivalent *Million*	Interest rate p.a.
	30 June 2007					31 December 2006			
The Group									
Bank loans									
— Renminbi	2 - 23			**10,196**	**5.022% -6.7%**			5,481	4.941% -6.156%
— Euro	2 - 11	**1.18**	**10.23**	**12**	**0.25%**	1.24	10.27	13	0.25%
— Japanese yen	2 - 14	**5,161**	**0.0618**	**319**	**2.70%**	6,021.34	0.0656	395	2.7%
Borrowings from related parties									
— Renminbi	2			**2,700**	**5.67%**			3,200	5.427% -5.67%
Total				**13,227**				9,089	
The Company									
Bank loans									
— Renminbi	2 - 23			**9,930**	**5.022% -6.399%**			5,203	4.941% -6.156%
— Euro	2 - 11	**1.18**	**10.23**	**12**	**0.25%**	1.24	10.27	13	0.25%
— Japanese yen	2 - 14	**5,161**	**0.0618**	**319**	**2.70%**	6,021.34	0.0656	395	2.7%
Borrowings from related parties									
— Renminbi	2			**2,700**	**5.67%**			3,200	5.427% -5.67%
Total				**12,961**				8,811	

28. LONG-TERM LOANS *(Continued)*

The Group's and Company's long-term loans (including Long-term loan due within one year) are analyzed by nature as follows:

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Credit loan	**12,570**	7,521	**12,568**	7,521
Guaranteed loan (Note)	**3,103**	4,003	**3,103**	4,003
Secured loan	**305**	319	**—**	—
	15,978	11,843	**15,671**	11,524

As at 30 June 2007, the balance of the Company's long-term borrowing from Angang Finance(including long-term borrowing due within one year) is Rmb3,200 million (31 December 2006: Rmb3,200 million).

The Group's and Company's long-term loans are analyzed by due dates as follows:

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Between one and two years	**1,748**	2,743	**1,708**	2,703
Between two and three years	**8,578**	3,641	**8,537**	3,600
Over three years	**2,901**	2,705	**2,716**	2,508
	13,227	9,089	**12,961**	8,811

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

28. LONG-TERM 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 trade receivables, land use rights, construction in progress, buildings and plants, machinery and equipment with a carrying amount of Rmb1,043 million (31 December 2006: Rmb1,099 million) as at 30 June 2007 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 2007, Changchun FAM pledged its machinery and equipment with the total value of Rmb65 million (31 December 2006: Rmb43 million) to China Construction Bank to secure the obligations under the loan contracts amounted to Rmb45 million (31 December 2006:Rmb30 million).

Among the balance of long-term loan, no other balance is due to a shareholder who holds 5% or more of the Company's voting shares.

29 LONG-TERM PAYABLES

		The Group		The Company	
	Period	**30 June 2007**	31 December 2006	**30 June 2007**	31 December 2006
		Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Obligations under finance leases	1 - 15 years	**6**	—	**—**	—
Acquisition consideration payable	1 - 2 years	**2,324**	2,324	**2,324**	2,324
Total		**2,330**	2,324	**2,324**	2,324

As at 30 June 2007, total unrecognised finance charges of the Group is Rmb4 million (31 December 2006: Rmb nil).

29 LONG-TERM PAYABLES *(Continued)*

The minimum lease payments of the Group after 30 June 2007 are as follows:

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Within 1 year(including one year)	**1**	—	**—**	—
After 1 year but within 2 years (including two year)	**1**	—	**—**	—
After 2 years but within 3 years (including three year)	**1**	—	**—**	—
After 3 years	**8**	—	**—**	—
Subtotal	**11**	—	**—**	—
Less: Unrecognised finance charges	**(4)**	—	**—**	—
Total	**7**	—	**—**	—

According to the acquisition agreement dated 20 October 2005 ("Acquisition Agreement"), the Company acquired the entire equity interest of ANSI ("Acquisition") from Angang Holding, the ultimate holding company of the Company, according to the Angang Holding Gangzhengfa 2004 No. 22 " Notice of the scheme of the asset reorganization of ANSI belonging to Angang Holding" ,for Rmb19.69 billion plus final adjustments as stated in the Acquisition Agreement. The total final consideration amounted to Rmb19.712 billion.

The above acquisition was completed in January 2006. The Company issued 2.97 billion ordinary A shares with a par value of Rmb1.00 each at Rmb4.29 per share (equivalent to Rmb12.74 billion) to Angang Holding as a partial payment for the consideration of the Acquisition. The remaining deferred cash payment will be paid in three installments within three years. Up to 30 June 2007, the Company has repaid Rmb2,324 million. The deferred cash payment bears interest at rates quoted by People's Bank of China.

On 21 September 2006, ANSC-TKS signed a fixed asset finance lease contract, the lease period is 15 years. The net amount after deducting unrecognized finance charges from long-term payable under finance lease due within one year has been disclosed in note 27.

30 SHARE CAPITAL

	The Group/Company			
	30 June 2007		31 December 2006	
	Shares Million	***Rmb Million***	*Shares Million*	*Rmb Million*
Issued and paid up capital:				
Ordinary A shares issued with restricted condition				
State-owned shares at par value of Rmb 1.00 each				
Balance at the beginning and the end of the period/year	**3,990**	**3,990**	3,990	3,990
Shares issued with no restricted condition				
Ordinary A shares at pat value of Rmb 1.00 each				
Balance at the beginning and the end of the period/year	**1,053**	**1,053**	1,053	1,053
Overseas-listed foreign invested ordinary shares ("H shares") at par value of Rmb 1.00 each				
Balance at the beginning and the end of the period/year	**890**	**890**	890	890
	5,933	**5,933**	5,933	5,933

All the ordinary A and H shares rank pari passu in all material respects.

31 CAPITAL RESERVE

	The Group / the Company		
	At 1 January 2007	**Increase**	**At 30 June 2007**
	Rmb Million	*Rmb Million*	*Rmb Million*
Share premium	12,836	—	12,836
Write-off of trade and other payables	8	—	8
Other capital reserve	3	—	3
	12,847	—	12,847

32 SURPLUS RESERVES

	The Group / the Company		
	Statutory surplus reserve	**Statutory public welfare fund**	**Total**
	Rmb Million	*Rmb Million*	*Rmb Million*
At 1 January 2007	2,228	—	2,228
At 30 June 2007	2,228	—	2,228

33 DIVIDENDS

Dividends approved and paid during the period

Pursuant to the shareholder's approval at the Annual General Meeting on 8 June 2007, the Company was authorised to declare cash dividend of Rmb0.58 per share (2006: Rmb0.36 per share) to ordinary shareholders. On 22 June 2007, the Company paid cash dividend for the year 2006 totalling Rmb2,925 million (2006: Rmb746 million) to ordinary A shareholders and Rmb516 million (2006: 321 million) to overseas-listed foreign invested ordinary shareholders respectively.

34 TURNOVER

	The Group		The Company	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Income from principal operations				
Galvanised steel sheets and colour coating plates	**3,953**	2,363	**3,316**	1,798
Cold rolled sheets	**6,168**	3,970	**6,577**	4,307
Cold rolling silicon plant	**2,243**	1,447	**2,243**	1,447
Hot rolled sheets	**11,845**	8,071	**11,845**	8,071
Wire rods	**1,538**	1,268	**1,538**	1,268
Large section products	**530**	1,204	**530**	1,204
Thick plates	**2,522**	2,440	**2,522**	2,440
Medium plate plant	**1,850**	1,443	**1,850**	1,443
Seamless steel plant	**1,222**	1,281	**1,222**	1,281
Others	**1,125**	1,513	**1,125**	1,513
Sub-total	**32,996**	25,000	**32,768**	24,772
Other operating income				
—Scrap materials	**26**	13	**26**	13
—Others	**14**	11	**10**	11
	40	24	**36**	24
Total	**33,036**	25,024	**32,804**	24,796

The Group's revenue from principal operations is derived from the production and sale of steel. The Group's segmental information is detailed in Note 44.

Total sales to the five largest customers were Rmb5,686 million (Six months ended 30 June 2006: Rmb5,971 million) which accounted for 17% (Six months ended 30 June 2006: 24%) of the total sales income of the Group for the period ended 30 June 2007.

35 COST OF SALES

	The Group		The Company	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Cost of principal operation				
— Sales of goods	**23,003**	18,628	**22,816**	18,439
Other operating expense	**35**	22	**32**	22
Total	**23,038**	18,650	**22,848**	18,461

The Group's cost of sales mainly comprised the cost incurred for the production and sale of steel. The Group's segmental information is detailed in Note 44.

36 BUSINESS TAX AND SURCHARGES

		The Group / The Company	
	Tax rate and basis	**Six months ended 30 June 2007**	Six months ended 30 June 2006
		Rmb Million	*Rmb Million*
City construction and maintenance taxes	7% of VAT and Business Tax payable	**203**	131
Education surcharge and local education surcharge	3% and 1% of VAT and Business Tax payable	**116**	75
Custom duty	5% — 10% of FOB	**10**	—
Resources tax and Business Tax		**2**	—
Total		**331**	206

37 FINANCIAL EXPENSES

	The Group		The Company	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Interest and bills discount expenses	**653**	486	**643**	470
Less: Amount capitalised as construction in progress	**(273)**	(103)	**(273)**	(103)
Net interest expenses	**380**	383	**370**	367
Interest income	**(8)**	(7)	**(7)**	(7)
Net exchange losses / (gains)	**(7)**	25	**(11)**	23
Other financial expenses	**2**	1	**2**	1
Total	**367**	402	**354**	384

38 IMPAIRMENT LOSS ON ASSETS

	The Group		The Company	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Provision for inventories (Note 11)	**(1)**	(11)	**—**	—
Impairment losses on fixed assets (Note 14)	**55**	—	**55**	—
Provision for trade receivables	**—**	6	**—**	6
Total	**54**	(5)	**55**	6

39 INVESTMENT INCOME

	The Group		The Company	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Income from long-term equity investment in jointly controlled entities				
— Accounted under equity method (Note13(1))	**—**	—	**35**	21
Income form long-term equity investment in associates				
— Accounted under equity method (Note13(2))	**1**	—	**1**	—
Income from other long term equity investment				
— Accounted under cost method	**4**	—	**4**	—
	5	—	**40**	21

39 INVESTMENT INCOME *(Continued)*

Details of the Group/the Company's long-term equity investment are set out below:

	The Group		The Company	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Jointly controlled entities				
— ANSC— TKS	**—**	—	**41**	21
— ANSC— Dachuan	**—**	—	**(1)**	—
— Changchun FAM	**—**	—	**(3)**	—
— TKAS— SSC	**—**	—	**(2)**	—
Associates				
— Angang Shenyang	**—**	—	**—**	—
— TKAS	**1**	—	**1**	—
Other investment				
— WISDRI Engineering & Research Incorporation Limited	**4**	—	**4**	—
Total	**5**	—	**40**	21

Movement in investment income for the period is mainly due to profit/loss of the jointly controlled entities and associates and the distributed profit from other long-term equity investment under cost method.

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

40 NON-OPERATING INCOME

	The Group		The Company	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Gain on disposal of fixed assets	**16**	5	**16**	5
Others	**6**	1	**4**	1
	22	6	**20**	6

41 NON-OPERATING EXPENSES

	The Group		The Company	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Loss on disposal of fixed assets	**59**	63	**59**	63
Others	**1**	—	**1**	—
	60	63	**60**	63

42 INCOME TAX EXPENSE

(1) Income tax expense in ncome statement represents:

	The Group		The Company	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Current tax expense	**2,006**	1,206	**2,006**	1,206
Deferred tax expense	**—**	33	**—**	33
	2,006	1,239	**2,006**	1,239

(2) The reconciliation of income tax with accounting profits of the Group / the Company is as follows:

	The Group		The Company	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Profit before taxation	**6,810**	4,348	**6,840**	4,356
Expected PRC income tax at a statutory tax rate of 33%	**2,247**	1,435	**2,257**	1,437
Exemption relating to outputs from environmental protection facilities	**(69)**	(40)	**(69)**	(40)
Exemption relating to enterprise research and development costs	**(169)**	(152)	**(169)**	(152)
Others	**(3)**	(37)	**(13)**	(39)
	2,006	1,206	**2,006**	1,206

43 NOTES TO CASH FLOW STATEMENT

(1) Notes to the consolidated cash flow statement

(a) Reconciliation of net profit to cash flows from operations:

	The Group		The Company	
	Six months ended		Six months ended	
	30 June 2007	30 June 2006	**30 June 2007**	30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Net profit	**4,804**	3,109	**4,834**	3,117
Add:				
Asset impairment loss	**54**	(5)	**55**	6
Depreciation of fixed assets	**2,048**	1,819	**2,023**	1,796
Amortisation of intangible assets	**64**	62	**63**	60
Loss on disposal of fixed assets	**43**	58	**43**	58
Financial expenses	**349**	401	**336**	383
Investment income	**(5)**	—	**(40)**	(21)
Decrease of deferred tax assets	**3**	—	**3**	—
(Decrease)/increase of deferred tax liabilities	**(3)**	33	**(3)**	33
(Increase) / decrease in inventories	**(653)**	173	**(691)**	129
Increase in operating receivables	**(2,138)**	(1,740)	**(2,149)**	(1,654)
Increase in operating payables	**1,090**	1,417	**1,071**	1,415
Other non-current assets	**4**	—	**—**	—
Net cash flow from operating activities	**5,660**	5,327	**5,545**	5,322

43 NOTES TO CASH FLOW STATEMENT *(Continued)*

(1) Notes to the consolidated cash flow statement (Continued)

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

	The Group		The Company	
	Six months ended		Six months ended	
	30 June 2007	30 June 2006	**30 June 2007**	30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Bills paid for dividend on ordinary A shares	**–**	400	**–**	400

(c) Net increase in cash and cash equivalents:

	The Group		The Company	
	30 June 2007	30 June 2006	**30 June 2007**	30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Cash at the end of the period	**1,453**	1,539	**1,224**	1,438
Less: Cash at the beginning of the period	**(1,698)**	(562)	**(1,480)**	(515)
Net (decrease) /increase in cash and cash equivalents	**(245)**	977	**(256)**	923

43 NOTES TO CASH FLOW STATEMENT *(Continued)*

(2) The analysis of the cash and cash equivalents of the Group and the Company is as follows:

	The Group		The Company	
	30 June 2007	30 June 2006	**30 June 2007**	30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
(a) Cash				
— Cash	**1**	1	**1**	1
— Deposit	**1,452**	1,538	**1,223**	1,437
— Cash equivalents	**—**	—	**—**	—
(b) Cash equivalents				
— the bond due within three months	**—**	—	**—**	—
Cash and cash equivalents at the end of the period	**1,453**	1,539	**1,224**	1,438
Less: Cash and cash equivalents with restrictions	**—**	—	**—**	—
Cash and cash equivalents At the end of the period	**1,453**	1,539	**1,224**	1,438

43 NOTES TO CASH FLOW STATEMENT *(Continued)*

(3) *Net cash paid for the acquisition of ANSI*

	Six months ended 30 June 2006 *Rmb Million*
The Acquisition of ANSI had the following effect on the Group's assets and liabilities:	
Cash at bank and in hand	593
Bills receivable	469
Trade receivables	203
Other receivables	267
Prepayments	444
Inventories	3,473
Deferred expenses	3
Fixed assets	23,308
Construction in progress	2,477
Intangible assets	5,317
Long-term deferred expenses	1
Short-term loans	(2,400)
Bills payable	(1,262)
Trade payables	(1,794)
Receipts in advance	(1,374)
Accrued payroll	(154)
Staff welfare payable	(61)
Taxes payable	650
Other payables	(1,297)
Current portion of long-term liabilities	(3,570)
Long-term loans	(5,581)
Net value of asset and liabilities acquired in	19,712
Less: Amount paid by issuance shares	(12,741)
Deferred cash payment classified as long-term payable	(6,971)
Cash at bank and in hand transferred in from ANSI	(593)
Net amount of cash at bank and in hand paid for the acquisition of ANSI	(593)

43 NOTES TO CASH FLOW STATEMENT *(Continued)*

(3) Net cash paid for the acquisition of ANSI (Continued)

	Six months ended 30 June 2006 *Rmb Million*
The acquisition of ANSI had the following effect on the Company's assets and liabilities:	
Cash at bank and in hand	569
Bills receivable	469
Trade receivables	203
Other receivables	256
Prepayments	444
Inventories	3,473
Deferred expenses	3
Long— term equity investments	45
Fixed assets	23,308
Construction in progress	2,468
Intangible assets	5,317
Short— term loans	(2,400)
Bills payable	(1,262)
Trade payables	(1,794)
Receipts in advance	(1,374)
Accrued payroll	(154)
Staff welfare payable	(61)
Taxes payable	650
Other payables	(1,297)
Current portion of long-term liabilities	(3,570)
Long-term loans	(5,581)
Net value of asset and liabilities acquired	19,712
Less: Amount paid by issuance of shares	(12,741)
Deferred cash payment classified as long-term payable	(6,971)
Cash at bank and in hand transferred in from ANSI	(569)
Net amount of cash at bank and in hand paid for the acquisition of ANSI	(569)

44 SEGMENT REPORTING

The Group operates on a divisional basis as a single business segment for the production and sales of steel products mainly in the PRC, except for certain exports to other countries and regions. All of the Group's assets are in the PRC.

Details of turnover and operating profits based on the geographical location of customers are set out as follows:

The Group

	PRC		Other countries and regions		Total	
	Six months ended		Six months ended		Six months ended	
Category	**30 June 2007**	30 June 2006	**30 June 2007**	30 June 2006	**30 June 2007**	30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*	***Rmb Million***	*Rmb Million*
Turnover	**25,016**	19,345	**8,020**	5,679	**33,036**	25,024
The Company						
Turnover	**24,987**	19,389	**7,817**	5,407	**32,804**	24,796

45. THE RISK ANALYSIS, SENSITIVITY ANALYSIS, AND THE FAIR VALUE DETERMINATION METHOD OF FINANCIAL INSTRUMENTS

(1) Credit risk

The group's credit risk is primarily attributable to trade and other receivables.

The Group requires most of the customer prepay full amount either in cash or by issuing bills before delivering goods to them. In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billing. Debtors with balances that are more than one month overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk as 89% (2006:90%) of the total trade receivables was due from the group's five largest customers respectively, which are disclosed in Note 8.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any guarantees which would expose the Group to credit risk.

(2) Liquidity risk

The Group's cash management work include the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturity of long term liabilities is disclosed in Note 28 and 29.

45. THE RISK ANALYSIS, SENSITIVITY ANALYSIS, AND THE FAIR VALUE DETERMINATION METHOD OF FINANCIAL INSTRUMENTS *(Continued)*

(3) Interest rate risk

The interest of short term and long term loan is disclosed in Note 20,27,28 and 29 respectively.

(4) Foreign currency risk

The Group did not have a significant foreign currency risk exposure arising from its sales and raw material purchases for production as these transactions were mainly carried out in Renminbi. However, with the increasing proportion of export sales conducted in foreign currencies, the depreciation or appreciation of foreign currencies against the Renminbi will affect the Group's results of operations.

With effect from 21 July 2005, the People's Bank of China has adopted a floating exchange rate policy based on a market supply and demand approach which is adjusted with reference to a basket of currencies.

Except for foreign-currency loans and deposits as mentioned in the notes, a significant portion of the Group's other financial assets and liabilities are settled in Renminbi.

(5) Sensitivity analysis

In managing interest rate and foreign currency risks the group aims to reduce the impact of short-term fluctuations on the group's earnings. Over the longer term, However, permanent changes in foreign exchange and interest rates would have an impact on earnings.

For the six months ended 30 June 2007, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately Rmb67 million (2006: Rmb76 million) so far as the effect on short-term loan, long-term loan and long-term payables is concerned.

45. THE RISK ANALYSIS, SENSITIVITY ANALYSIS, AND THE FAIR VALUE DETERMINATION METHOD OF FINANCIAL INSTRUMENTS *(Continued)*

(6) Fair value

The fair values of cash, deposits with banks, bills receivable, trade and other receivables, trade and other payables as well as long-term payables are not materially different from their carrying amounts.

The fair values of the Group's bank loans as estimated by applying a discounted cash flow using current market interest rates for similar financial instruments approximate to their carrying values.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision.

Changes in assumptions could significantly affect the estimates.

(7) Fair value determination method

The fair value of interest-bearing loans and financing lease liabilities is estimated by the present value of future cash flows, with the discount rate being determined by the market interest rate of similar financial instruments.

46 COMMITMENTS

(1) Capital commitments

As at 30 June 2007, the Group/ the Company had the following capital commitments:

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Contracted for				
— Investment	**70**	167	**70**	167
— Construction and upgrade of production lines	**12,597**	11,264	**12,177**	10,964
	12,667	11,431	**12,247**	11,131

(2) Other commitments

Pursuant to the funding supporting agreement with Bank of China Liaoning Branch dated 20 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 (see Note 28).

46 COMMITMENTS *(Continued)*

(2) *Other commitments (Continued)*

ANSC-TKS entered into a non-cancellable contract on 21 September 2006 which related to waste water processing. According to this contract, the Group should pay the annual waste water processing service fee after 30 June 2007 as follows:

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Within one year (including one year)	**2**	—	**—**	—
Between one and two years (including two year)	**2**	—	**—**	—
Between two and three years (including three year)	**2**	—	**—**	—
Three years and above	**21**	—	**—**	—
Total	**27**	—	**—**	—

47 POST BALANCE SHEET EVENTS

(1) At the board of directors meeting held on 29 May 2007, a resolution was passed for the proposed rights issue (the "Proposed Rights Issue") to finance part of the investment of the Bayuquan Project. The proposed Rights Issue will be conducted on the basis of approximately 2 to 3 rights shares for every 10 existing shares. The Proposed Rights Issue has been submiteed to China Securities Regulatory Committee for review and approval.

(2) At the board of directors meeting held on 27 July 2007, a resolution was passed to establish a subsidiary in Wuhan, Angang Steel Processing and Distribution Co., Ltd (Wuhan) ("Angang Wuhan"). The principal businesses of Angang Wuhan are steel processing, selling and distribution. The total investment cost is approximately Rmb226 million.

47 POST BALANCE SHEET EVENTS *(Continued)*

(3) On 26 June 2007, ANSC-TKS signed a new Rmb long-term loan with Bank of China Liaoning Branch and China Industrial Bank Dalian Branch ("New Syndicated Loan"). ANSC-TKS will repay the Syndicated Loan as stated in Note 28 and 46(2) using the fund to be obtained from the New Syndicated Loan. The commitment and the pledge of the Company's equity in ANSC-TKS regarding the Syndicated Loan stated in Note 28 and 46(2) will be released after the repayment. As at the date of the interim financial report, the New Syndicated Loan has not been utilised and the Syndicated Loan has not been repaid.

48 RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

(1) Related party with controlling interest:

Name of The parent company	Organization Code	Registered Location	Industry	Registered Capital *Rmb Million*	% of sharing of the Company	% of voting shares of the Company
Angang Holding	24142001-4	Tie Xi District Anshan Liaoning Province	Production and sale of steel and metal products, steel filament Tubes,and metal structures	10,794	67.25%	67.25%

(2) Transactions between key management staff and the Group / the Company

	The Group Six months ended		The Company Six months ended	
	30 June 2007	30 June 2006	**30 June 2007**	30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Remuneration to key management staff	**2**	2	**2**	2

The transactions with key management staff above were under normal business terms or relative agreements.

48 RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) Transactions between other related parties and the group / the company

(a) Other related parties transacted with the company/ the group without controlling interest

Name of enterprise	Organization code	Relation with the company
ANSC-TKS	71093688-2	Joint venture
ANSC-Dachuan	759903870	Joint venture
TKAS-SSC	76717649-0	Joint venture
Changchun FAM	785926056	Joint venture
Angang Shenyang	73866644-x	Associate
TKAS	767159789	Associate
Angang Group International Trade Corporation	24142372-5	Fellow subsidiary
Angang Finance	1188857-2	Fellow subsidiary
Angang Construction Group	94129158-3	Fellow subsidiary
Angang Heavy machine Co., Ltd.	24150326-6	Fellow subsidiary
Angang Fire-resistant material Co.	94126547-3	Fellow subsidiary
Angang Steel rope Co., Ltd.	94126496-4	Fellow subsidiary
Angang Anshan Mining Co.	24150404-X	Fellow subsidiary
Angang Entity Group	24142765-4	Fellow subsidiary
Angang House Property Co.	94126840-4	Fellow subsidiary
Anshan Jidong Cement Co., Ltd.	74077858-X	Fellow subsidiary
Angang Railway transport facilities Construction Co.	94121854-6	Fellow subsidiary
Angang real estate Co., Ltd	11886337-0	Fellow subsidiary
Angang mechanized loading Co.	94126489-2	Fellow subsidiary
Angang Design and Research	79159132-8	Fellow subsidiary
Angang Railway Construction Co.	94126830-8	Fellow subsidiary
Angang Electric Co., Ltd	94126485-X	Fellow subsidiary
Angang Automatism Co.	94126643-3	Fellow subsidiary
Angang Auto Transport Co., Ltd	94126444-6	Fellow subsidiary
Dalian Huayelian Automatism Co.	723489698	Fellow subsidiary
Angang Reception Service Co.	94121967-X	Fellow subsidiary

The information related to jointly controlled entities and associates, see note 13.

48 RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) Transactions between other related parties and the group / the company (Continued)

(b) Details of the Company's material related party transactions with Angang Holding and its subsidiaries("Angang Group")

		Six months ended 30 June			
		2007		2006	
	Note	**Amount million *RMB***	**Percent of related transactions**	Amount million *RMB*	Percent of related transaction
Sales	(i)	**2,098**	**6.49%**	646	2.90%
Sales of scrap materials	(i)	**77**	**79.77%**	79	53.66%
General service	(i)	**254**	**41.8%**	204	69.93%
Sales of assets	(ii)	**25**	**46.09%**	—	—
Purchases					
— Raw materials	(iii)	**6,710**	**85.66%**	4,891	83.64%
— Ancillary materials and spare parts	(iv)	**710**	**21.07%**	613	25.13%
Energy and power supplies	(v)	**805**	**38.83%**	525	31.90%
Fees paid for support services	(vi)	**3,324**	**43.87%**	1,210	21.63%
Interest income	(vii)	**5**	**75.01%**	2	25.88%
Interest expenses	(vii)	**239**	**35.21%**	236	50.80%

(i) Sales, Sales of scrap materials and general service

The Company sold steel products and scrap materials to Angang Group mainly at selling prices based on the average prices charged to independent customers for the preceding month or market prices.

The Company provided general services, such as coal gas, electricity, steam and transportation, to Angang Group at state prices, production cost plus 5%, or market prices

48 RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) Transactions between other related parties and the group / the company (Continued)

(b) Details of the Company's material related party transactions with Angang Holding and its subsidiaries("Angang Group") *(Continued)*

(ii) Sales of assets

The Company sold assets to Angang Group at selling prices based on fair value of market.

(iii) Purchase of raw materials

The Company purchased its principal raw materials from Angang Group, at prices determined and modified on a semiannual basis.

The purchase price is mainly not higher than the average prices quoted to the Company for importing principal raw materials of similar quality plus freight charges in the previous interim period and adjustment for grade, or the average prices charged by independent suppliers plus 10% mark up of processing costs (if applicable).

(iv) Purchase of ancillary materials and spare parts

The Company purchased ancillary materials and spare parts from Angang Group at selling prices not higher than the average prices charged to independent customers for the preceding month.

(v) Energy and power supplies

The Company purchased electricity from Angang Group mainly at state prices.

48 RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) Transactions between other related parties and the group / the company (Continued)

(b) Details of the Company's material related party transactions with Angang Holding and its subsidiaries("Angang Group") *(Continued)*

(vi) Fees paid for support services

Angang Group provided certain supporting services to the Company. These services include railway and road transportation services; agency services for import of spare parts and equipment; agency services for domestic sales and export of products; equipment repair and maintenance; engineering services; construction project agency and management services and other employees' supporting services.

Service fees were charged at applicable state prices, market prices, fixed rate commission or free of charge. The quantity of steel products sold in domestic market and export market through Angang Group International Trade Corporation as an agent is 1.92 million tons and 1.82 million tons respectively for six months period ended 30 June 2007(six months ended 30 June 2006: 0.95 million tons and 1.43 million tons).

(vii) Interest income/expenses

Angang Group provided financial services, including settlement, deposit taking, borrowing and discounting services, at state prices.

The deferred cash payment for the acquisition of ANSI bears interest at rates quoted by the People's Bank of China for the same period (see note 29).

(viii) Guarantee of loans

As at 30 June 2007, total bank loans of the Company amounting to Rmb3,103 million (31 December 2006: Rmb4,003 million) were guaranteed by Angang Holding (see Note 28).

48 RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) Transactions between other related parties and the group / the company (Continued)

(c) 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 between the Company and Bank of China Liaoning Branch on 20 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 million and will be reduced to US$4 million after the tenth repayment date.

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

The Company sold products to ANSC-TKS totalling Rmb818 million for the six months ended 30 June 2007 (For the six months ended 30 June 2006: Rmb674 million.)

(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 ended 30 June 2007 amounted to Rmb274 million (For the six months ended 30 June 2006: Rmb33 million) and Rmb874 million (For the six months ended 30 June 2006: Rmb28 million) respectively. Sales amounted to Rmb137 million (For the six months ended 30 June 2006: Rmb16 million) and purchases amounted to Rmb437 million (For the six months ended 30 June 2006: Rmb14 million) have been included in the sales and cost of sales of the Group's consolidated financial statements respectively.

48 RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) Transactions between other related parties and the group / the company (Continued)

(c) Details of related party transactions of ANSC-TKS: (Continued)

(iv) Sale of finished products to TKAS

ANSC-TKS sold finished products to TKAS, under similar terms and pricing policies for independent parties. The sales during the six months ended 30 June 2007 amounted to Rmb38 million (For the year ended 31 December 2006: Nil)

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

(d) Amounts due from / to related parties and the loans balance as at 30 June 2007 and 31 December 2006 :

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Bank deposits	**1,024**	1,449	**1,024**	1,449
Trade receivables	**1,231**	328	**1,388**	485
Prepayments	**3,407**	380	**3,404**	380
Short— term loans	**(1,500)**	(500)	**(1,500)**	(500)
Trade payables	**(164)**	(202)	**(164)**	(202)
Receipts in advance	**(545)**	(435)	**(545)**	(435)
Other payables	**(837)**	(430)	**(831)**	(428)
Interest payable	**(132)**	—	**(132)**	—
Long— term loans due within one year	**(500)**	—	**(500)**	—
Long— term loans	**(2,700)**	(3,200)	**(2,700)**	(3,200)
Long— term payables due within one year	**(2,324)**	(2,324)	**(2,324)**	(2,324)
Long— term payables	**(2,324)**	(2,324)	**(2,324)**	(2,324)

49 COMPARATIVE FIGURES OF LAST YEAR

New Standard was adopted by the Group / the Company since 1 January 2007 for the first time, the relative adjustments of comparative figures, is disclosed in Note 4.

50 MAJOR ACCOUNTING ESTIMATES AND JUDGMENTS

Except the assumption and the risk factors of financial instruments in Note 43, the uncertainty for major accounting estimates is as follows:

(1) Provision of long term assets

As noted in Note 3(9), The Group will assess regularly the carrying amounts of long term assets to determine whether their recoverable amounts have declined below their carrying amounts. If any indication shows that the net book value of long term assets could not be recovered fully, impairment will be considered to the relative assets , and recognise provision for impairment.

The recoverable amount of an asset or a cash generating unit is the greater of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it. As the market price for the assets (or cash generating unit) is not available, the Group could not estimate the fair value of the related assets. Judgement should be made for the production volume of the assets (or cash generating unit), selling price, related cost and the discount rate used for present value calculation when estimating present value of future cash flows. The Group uses all the information available for the estimation of recoverable amount, including the forecast of the production, selling price and operation cost base on reasonable and valid assumptions.

(2) Depreciation and amortisation

As disclosed in Note 3(6) and (8), fixed assets and intangible assets are depreciated or amortised using the straight-line method over their estimated useful lives after considering the residual value. The Group evaluate the estimated useful lives periodically to assess the depreciation expenses and amortisation expenses charged to profit and loss. The estimated useful lives are determined by the experience of similar assets and the estimation of technology changes. If any changes occur for the previous estimation, adjustments would be made for depreciation expense and amortisation expenses in the future.

51 EXTRAORDINARY GAIN AND LOSS

According to "Questions and answers on the preparation of information disclosures of companies issuing public shares No. 1 — Extraordinary gain and loss (2007 amended)", extraordinary gain and loss for the Group are disclosed as follows:

	The Group		The Comany	
	Six months ended 30 June 2007	Six months ended 30 June 2006	**Six months ended 30 June 2007**	Six months ended 30 June 2006
	Rmb Million	*Rmb Million*	***Rmb Million***	*Rmb Million*
Net loss on disposal of fixed assets	**43**	58	**43**	58
Penalty income	**(3)**	(1)	**(1)**	(1)
Long outstanding accounts payable	**(2)**	—	**(2)**	—
Subtotal	**38**	57	**40**	57
Less: tax effect of the above items	**(13)**	(19)	**(13)**	(19)
Total	**25**	38	**27**	38

52 EARNINGS PER SHARE AND RETURN ON EQUITY

(1) *Earnings per share of the Group*

	Six months ended 30 June 2006			
	2007		2006	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
(a) Earnings per share before deducting extraordinary gain and loss	**0.810**	**0.810**	0.572	0.572
— net profit attributable to equity shareholders of the Company	**4,804**	**4,804**	3,109	3,109
— weighted average of equity shares of the Company in current year	**5,933**	**5,933**	5,437	5,437
(b) Earnings per share after deducting extraordinary gain and loss	**0.814**	**0.814**	0.579	0.579
— net profit attributable to equity shareholders of the Company after deducting extraordinary gain and loss	**4,829**	**4,829**	3,147	3,147
— weighted average of equity shares of the Company in current year after deducting extraordinary gain and loss	**5,933**	**5,933**	5,437	5,437

52 EARNINGS PER SHARE AND RETURN ON EQUITY *(Continued)*

(2) Return on equity of the Group

The Group calculated the return on equity according to the < Regulation on the preparation of information disclosures of companies issuing public shares No. 9: — the calculation and disclosure of return on equity and Earning per share> (2007 amended) issued by China Securities Regulatory Commission (CSRC) as follows:

	Six months ended 30 June 2006			
	2007		2006	
	Diluted	**Weighted average**	Diluted	Weighted average
(a) Return on equity before deducting extraordinary gain and loss	**15.26%**	**14.77%**	11.85%	13.47%
— net profit attributable to equity shareholders of the Company	**4,804**	**4,804**	3,109	3,109
— equity attributable to equity shareholders of the Company at the period ended	**31,486**	**—**	26,226	—
— weighted average of equity attributable to equity shareholders of the Company in current period	**—**	**32,525**	—	23,090
(b) Return on equity after deducting extraordinary gain and loss	**15.34%**	**14.85%**	12.00%	13.63%
— net profit attributable to equity shareholders of the Company after deducting extraordinary gain and loss	**4,829**	**4,829**	3,147	3,147
equity attributable to equity shareholders of the Company at the period ended	**31,486**	**—**	26,226	—
— weighted average of equity attributable to equity shareholders of the Company in current period	**—**	**32,525**	—	23,090

53. RECONCILIATION OF DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED UNDER PRC ACCOUNTING RULES AND REGULATIONS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effect of material differences between PRC Accounting Rules and Regulations ("PRC GAAP") and International Financial Reporting Standards ("IFRS") on net profit are set out as follows:

		The Group	
		Six months ended 30 June	
		2007	2006
	Note	***Rmb Million***	*Rmb Million*
Net profit under PRC GAAP		**4,804**	3,109
Adjustments:			
Convertible debentures			
— Additional borrowing costs capitalised	(i)	**(7)**	—
Pre-operating expenses	(ii)	**3**	(2)
Revaluation of land use rights	(iii)	**2**	2
Total		**(2)**	—
Net profit under IFRSs		4,802	3,109

53. RECONCILIATION OF DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED UNDER PRC ACCOUNTING RULES AND REGULATIONS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

(2) Effect of material differences between PRC Accounting Rules and Regulations and International Financial Reporting Standards ("IFRS") on shareholders' funds are set out as follows:

		The Group	
		30 June 2007	31 December 2006
	Note	***Rmb Million***	*Rmb Million*
Shareholders' funds under PRC GAAP		**31,486**	30,123
Adjustments:			
Convertible debentures			
— Additional borrowing costs capitalised	(i)	**—**	7
Pre-operating expenses	(ii)	**—**	(3)
Lease prepayment amortized	(iii)	**(184)**	(186)
Deferred tax	(iv)	**60**	60
Total		**(124)**	(122)
Shareholders' equity under IFRSs		**31,362**	30,001

53. RECONCILIATION OF DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED UNDER PRC ACCOUNTING RULES AND REGULATIONS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

(2) Effect of material differences between PRC Accounting Rules and Regulations and International Financial Reporting Standards ("IFRS") on shareholders' funds are set out as follows: *(Continued)*

Note:

(i) *The amounts represent the different treatments on transaction costs and discount on convertible debentures under the IFRSs and the applicable PRC Accounting Rules and Regulations before 31 December 2005. Adjustments for the period represent the difference in balance arising from the different accounting treatments after adoption of the New PRC Accounting Rules and Regulations on 1 January 2007.*

(ii) *Under the PRC applicable Accounting Rules and Regulations before 31 December 2006, pre-operating expenses are capitalised in long-term deferred expenses before the commencement of operation and will be charged to expense in the first month of operation once and for all. After the adoption of the New PRC Accounting Rules and Regulations on 1 January 2007, pre-operating expenses are expensed when incurred, which is consistent with the accounting treatment of IFRSs. Adjustments for the period represent the reversal of the balance of pre-operating expenses as at 1 January 2007 charged to income statement.*

(iii) *Under the PRC Accounting Rules and Regulations, land use rights are carried at revalued amount. Land use rights are carried at historical cost base under IFRSs. Accordingly, the surplus on the revaluation of land use rights net of deferred tax asset and accumulated difference in amortisation was reversed from shareholder's equity and the amortisation of the surplus was added back to the net profit in the financial statements prepared under IFRSs.*

(iv) *According to the above adjustment made in (iii), income tax is recognised by liability method under IFRSs, whereas deferred tax assets and liabilities are provided.*

8. DOCUMENTS FOR INSPECTION

1. Original 2007 interim report of the Company signed by the Chairman;

2. Financial statements of the Company signed by the Legal Representative, Chief Accountant and Head of the Accounting Department of the Company;

3. All documents of announcements disclosed by the Company in the China Securities Journal and the Securities Times during the reporting period;

4. Copy of the articles of association of the Company;

5. Interim report of the Company released in the stock market in Hong Kong

Place of storing the documents above for inspection: Board Secretary Room of Angang Steel Company Limited, at 1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC.

Angang Steel Company Limited
Board of Directors

21 August 2007