



鞍 鋼 股 份 有 限 公 司

ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 347)

**FIRST QUARTERLY REPORT OF
ANGANG STEEL COMPANY LIMITED FOR 2008**

1 IMPORTANT NOTICE

- 1.1 The board of directors (the “Board”) and the supervisory committee (the “Supervisory Committee”) of Angang Steel Company Limited (the “Company”), its directors (the “Directors”), supervisors and senior management members warrant that there is no misleading statement or misrepresentation contained in, or material omission from this report, and are jointly and severally liable for the truthfulness, accuracy and completeness of the information contained in this report.
- 1.2 No Directors, supervisors or member of senior management has declared that he/she cannot confirm or has any doubt on the truthfulness, accuracy and completeness of the information contained in this report.
- 1.3 Ms. Wang Xiaobin, the Independent Director of the Company and Mr. Francis Li Chak Yan were unable to attend the Board meeting due to other work obligations. Both of them have appointed Mr. Fu Jihui, the Director of the Company, to exercise voting rights on their behalves.
- 1.4 The financial statements of the Company for the first quarter of 2008 have not been audited by accountants.
- 1.5 Mr. Zhang Xiaogang, the Chairman of the Board and Mr. Ma Lianyong, the Chief Accountant and Head of the Accounting Department of the Company (Primary Personnel in charge of Accounting), warrant that the financial statements in the quarterly report are true and complete.

2 COMPANY PROFILES

2.1 Major Accounting Data and Financial Indicators

Unit: RMB million

	End of the reporting period	End of the last year	Change
Total assets	89,302	86,786	2.90%
Owners' equity (shareholders' equity)	56,611	54,255	4.34%
Net assets per share (<i>RMB</i>)	7.82	7.50	4.27%

	During the reporting period	Corresponding period of the last year	Change
Net profit	2,443	2,394	2.05%
Net cash flows from operating activities	3,718	2,539	46.44%
Net cash flows from operating activities per share (<i>RMB</i>)	0.514	0.428	20.09%
Basic earnings per share (<i>RMB</i>)	0.338	0.404	-16.34%
Diluted earnings per share (<i>RMB</i>)	0.338	0.404	-16.34%
Return on net assets	4.32%	7.36%	Decreased by 3.04 percentage points
Return on net assets after deduction of non-operating items	4.32%	7.35%	Decreased by 3.03 percentage points

Non-operating items

Unit: RMB million

Non-operating items	From the beginning of the year to the end of the reporting period
Non-operating income	6
Non-operating expenses	-8
Relevant income tax	<u>1</u>
Total	<u><u>-1</u></u>

2.2 Statement of the total number of shareholders and the information on the shareholdings of the ten largest shareholders not subject to any trading moratorium at the end of reporting period

Unit: Share

Total number of shareholders 12,738 shareholders, including 447 H share shareholders

Shareholdings of the ten largest shareholders not subject to any trading moratorium

Name of shareholder	Number of shares not subject to any trading moratorium held at the end of the reporting period	Type of share
HKSCC (Nominees) Limited	1,076,300,981	Overseas-listed foreign shares
Agricultural Bank of China — Dacheng Innovation Growth Mixed Securities Investment Fund(LOF) (中國農業銀行—大成創新成長混合型證券投資基金(LOF))	40,792,900	Renminbi ordinary shares
Bank of China — Jiashi Stable Open End Securities Investment Fund (中國銀行—嘉實穩健開放式證券投資基金)	33,353,101	Renminbi ordinary shares
Agricultural Bank of China — Zhongyou Core Growth Equity Securities Investment Fund (中國農業銀行—中郵核心成長股票型證券投資基金)	30,000,000	Renminbi ordinary shares
China Industrial and Commercial Bank — Yifangda Value Growth Mixed Securities Investment Fund (中國工商銀行—易方達價值成長混合型證券投資基金)	28,212,120	Renminbi ordinary shares
China Industrial and Commercial Bank — Huaan Middle-Small Growth Stock Securities Investment Fund (中國工商銀行—華安中小盤成長股票型證券投資基金)	22,294,222	Renminbi ordinary shares
China Construction Bank — China International China Advantage Securities Investment Fund (中國建設銀行—上投摩根中國優勢證券投資基金)	20,420,103	Renminbi ordinary shares
Agricultural Bank of China — Zhongyou Core Prime Equity Securities Investment Fund (中國農業銀行—中郵核心優選股票型證券投資基金)	20,000,000	Renminbi ordinary shares
China Construction Bank — Great Wall Brand Prime Stock Securities Investment Fund (中國建設銀行—長城品牌優選股票型證券投資基金)	19,184,142	Renminbi ordinary shares
China Industrial and Commercial Bank — Harvest Strategic Growth Mixed Securities Investment Fund (中國工商銀行—嘉實策略增長混合型證券投資基金)	17,662,674	Renminbi ordinary shares

3 SIGNIFICANT EVENTS

3.1 Significant changes in the main items of the financial statements and financial indicators and reasons for such changes

Applicable Not applicable

1. The increase in sales expenses as compared with that of the corresponding period of last year was due to i) the increase in packaging expenses; and ii) the increase in transportation expenses resulting from the increase in both the settlement volume of pipeline steel and sales volume by the CIF settlement method.
2. The increase in administrative expenses as compared with that of the corresponding period of last year was attributable to the increase in payroll, repair charge and land use tax of Bayuquan Branch and other such items.
3. The increase in investment gain as compared with that of the corresponding period of last year was due to the increase in net profits of the Company's joint venture in the current period from the corresponding period of last year, which leads to the corresponding increase in investment gain recognised by the Company under the equity method.
4. The decrease in income tax as compared with that of the corresponding period of last year was due to the reduction of the income tax rate from 33% to 25% since 1 January 2008; ii) the increase in preferential taxes of the Company in the current period from the corresponding period of last year; and iii) the decrease in total profits in the current period from the corresponding period of last year.
5. The decrease in available-for-sale financial assets as compared with that of the end of last year was due to fluctuation of fair value in the current period of non-public issued shares in Zhuzhou Smelter Group Co., Ltd. subscribed by the Company.
6. The increase in construction in progress as compared with that of the end of last year was mainly attributable to the increase in expenditures of Bayuquan Plant project.

7. The decrease in bills payable as compared with that of the end of last year was due to payment of mature bank acceptances of Rmb688 million in the current period and issue of bank acceptances of Rmb153 million.
8. The increase in long-term payables as compared with that of the end of last year was due to the increase in provisions for expenses of work safety in the current period.
9. The decrease in deferred income tax liabilities as compared with that of the end of last year was attributable to the decrease in fair value of available-for-sale financial assets.

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

Applicable Not applicable

1. The 21st meeting of the fourth session of the Board was held on 3 January 2008, at which the Proposed Change of the Corporate Logo was considered and approved;
2. The 9th meeting of the fourth session of the Supervisory Committee was held on 4 January 2008, at which the Proposed Election of Mr. Wen Baoman as the Chairman of the Fourth Supervisory Committee was considered and approved;
3. The 23rd meeting of the fourth session of the Board was held on 5 March 2008, at which the Proposed Change in Accounting Policies of the Company was considered and approved.

All announcements of the abovementioned events were published in the media designated by the Company: China Securities Journal, Securities Times, <http://www.cninfo.com.cn>, website of the Stock Exchange of Hong Kong: <http://www.hkex.com.hk> and <http://angang.wspr.com.hk>.

3.3 Performance of undertakings by the Company, shareholders and the actual controlling shareholder

Applicable Not applicable

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

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

- (1) The shares held by Angang Holding following the completion of the State Share Reform Plan would be subject to a trading moratorium of 36 months from the listing date, except for the shares to be transferred to the holders of tradable A shares upon his/her exercise of the warrants.
- (2) In the event that the Company, subject to approval of the general shareholder meeting and regulatory authorities, issues new tradable A shares to Angang Holding for the acquisition of the entire equity interests in ANSI, Angang Holding undertakes that such new shares would also be subject to a trading moratorium of 36 months from the day on which the shares were transferred to Angang Holding's account.
- (3) Angang Holding shall maintain a minimum of 60% shareholding in the Company commencing from the completion of the acquisition till 31 December 2010.
- (4) Angang Holding warrants that it shall compensate other shareholders for any loss arising from its failure to fulfill the whole or part of the undertakings herein.
- (5) Angang Holding shall complete formalities for the deposit of the consideration shares held thereby with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch to ensure the fulfillment of such consideration arrangement.

(6) Angang Holding will pay all the costs relating to the State Share Reform Plan.

Angang Holding further undertook that:

“We will faithfully fulfill our undertakings and accept the all liabilities thereunder. Unless the transferee agrees and is eligible to make the undertakings, we will not transfer any share held by us.”

During the reporting period, it was not found that Angang Holding had breached any of such undertakings.

2. On 24 October 2007, the Company and Angang Holding entered into Supply of Materials and Services Agreement (2008-2009), pursuant to which, Base Price of iron concentrate is “not higher than the average free-on-board import price reported to the PRC Customs for the first half of year (“Average Import Price”) plus railway transportation expenses from Bayuquan Port to the Company and adjustment according to grade. Among other things, adjustment according to grade is on the basis of weighted average grade of iron concentrate imported by the Company in the first half year. Price adjustment for every 1% of grade is RMB10/tonne.” Angang Holding made the undertaking to give a 5% discount to the maximum price of Average Import Price which was confirmed by such Base Price. Such undertaking is valid from 1 January 2008 to 31 December 2009.

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

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

Applicable Not applicable

3.5 Other material events

3.5.1 Investment in securities

Applicable Not applicable

3.5.2 Equity of other listed company held by the Company

Applicable Not applicable

Unit: RMB million

Stock Code	Short form of stock	Initial investment amount	Percentage in the company's share capital	Book value at the end of the period	Loss and gain during the reporting period	Change in owner's equity during the reporting period
600961	Zhuzhou Smelter Group	81	1.90%	128	—	107
Total		81	—	128	—	107

3.5.3 Reception of activities including research, communication and interviews during the reporting period

Time of reception	Place of reception	Manner of reception	Received party	Main contents of conversation and information provided
17 January 2008	The Office of the Secretary to the Board	Investigation and research on site	Li Liang of Hillhouse Capital Management	<ol style="list-style-type: none">1. Production and operation of the Company2. Development trend of the Company3. Situation in domestic and overseas steel industry

29 January 2008	The Office of the Secretary to the Board	Investigation and research on site	Ms. Bo Meunier of Wellington Management Company	<ol style="list-style-type: none"> 1. Production and operation of the Company 2. Development trend of the Company 3. Situation in domestic and overseas steel industry
25 February 2008	The Office of the Secretary to the Board	Investigation and research on site	Li Jilong (李基龍) of Shinyong Securities (Korea)	<ol style="list-style-type: none"> 1. Production and operation of the Company 2. Development trend of the Company 3. Situation in domestic and overseas steel industry
26 February 2008	The Office of the Secretary to the Board	Investigation and research on site	<p>Jiang-Qiu of Guotai Junan Securities</p> <p>Zhang Nengjin of Northeast Securities Co., Ltd.</p> <p>Zhao Zhengfeng of Chang Xin Asset Management Corporation Limited</p> <p>Wang Jia of ICBC Credit Suisse Asset Management Co. Ltd.</p>	<ol style="list-style-type: none"> 1. Production and operation of the Company 2. Development trend of the Company 3. Situation in domestic and overseas steel industry
4 March 2008	The Office of the Secretary to the Board	Investigation and research on site	Jiao Chengchen of Min Fa Securities Beijing Cuiwei Branch Investor	<ol style="list-style-type: none"> 1. Production and operation of the Company 2. Development trend of the Company 3. Situation in domestic and overseas steel industry

4 APPENDICES

4.1 Balance sheet

Prepared by: Angang Steel Company Limited

At 31 March 2008

Unit: RMB million

Item	As at 31 March 2008	As at 31 December 2007
Current assets:		
Cash at bank and in hand	7,420	7,733
Bills receivable	5,002	6,083
Trade receivables	1,009	932
Prepayments	7,536	6,600
Other receivables	59	66
Inventories	9,421	8,701
Total current assets	30,447	30,115
Non-current assets:		
Available-for-sale financial assets	128	271
Long-term equity investments	930	885
Fixed assets	31,590	32,656
Construction in progress	20,468	17,115
Intangible assets	5,556	5,577
Deferred income tax assets	183	167
Total non-current assets	58,855	56,671
Total assets	89,302	86,786

Current liabilities:		
Short-term borrowings	4,250	4,512
Bills payable	517	1,052
Trade payables	1,641	1,908
Receipts in advance	5,915	4,569
Accrued payroll	310	310
Taxes payable	-255	-251
Other payables	2,675	2,737
Non-current liabilities due		
within one year	4,576	5,138
Total current liabilities	19,629	19,975
Non-current liabilities:		
Long-term borrowings	12,834	12,297
Long-term payables	18	11
Deferred income tax liabilities	64	102
Other non-current liabilities	146	146
Total non-current liabilities	13,062	12,556
Total liabilities	32,691	32,531
Owners' equity (Shareholders' equity):		
Paid-up capital (share capital)	7,235	7,235
Capital reserve	31,485	31,593
Less: Treasury Share	—	—
Surplus reserves	2,981	2,981
Undistributed profits	14,910	12,446
Total owner's interest attributable to the Company	56,611	54,255
Minority interests	—	—
Total owners' equity	56,611	54,255
Total liabilities and owners' equity	89,302	86,786

Legal representative:	Person in charge of accounting:	The Head of accounting department:
Zhang Xiaogang	Ma Lianyong	Ma Lianyong

4.2 Income statement

Prepared by: Angang Steel Company Limited

January 2008 to March 2008

Unit: RMB million

Item	During the period	Corresponding period of last year
I: Total operating income	18,586	15,854
Including: operating income	18,586	15,854
II: Total operating cost	15,478	12,404
Including: Operating cost	13,937	11,252
Business tax and auxiliary charges	240	198
Selling expenses	393	291
Administrative expenses	707	492
Financial expenses	201	171
Add: Investment gain		
(loss is represented by “-”)	41	22
Including: Gains from investment in associates and joint ventures	41	22
III. Operating profit (loss is represented by “-”)	3,149	3,472
Add: Non-operating income	6	6
Less: Non-operating expenses	8	—
Including: Loss from disposals of non-current assets	2	—
IV. Total profit (“-” for total loss)	3,147	3,478
Less: Income tax expense	704	1,084
V. Net profit (“-” for net loss)	2,443	2,394
Net profit attributable to owners of the Company	2,443	2,394
Minority interests	—	—
VI. Earnings per share		
(1) Basic earnings per share (RMB)	0.338	0.404
(2) Diluted earnings per share (RMB)	0.338	0.404

Legal representative:

Zhang Xiaogang

Person in charge of accounting:

Ma Lianyong

The Head of accounting department:

Ma Lianyong

4.3 Cash flow statement

Prepared by: Angang Steel Company Limited

January 2008 to March 2008

Unit: RMB million

Item	During the period	Corresponding period of last year
I. Cash flows from operating activities:		
Cash received from sale of		
goods and provision of service	23,215	16,291
Refund of taxes	—	123
Cash received from other operating activities	1	2
Sub-total of cash inflows from		
operating activities	23,216	16,416
Cash paid for goods and service	16,685	11,712
Cash paid to and on behalf of employees	642	484
Taxes paid	1,990	1,525
Cash paid in relation to		
other operating activities	181	156
Sub-total of cash outflows from		
operating activities	19,498	13,877
Net cash flow from operating activities	3,718	2,539
II. Cash flows from investing activities:		
Net proceeds from disposal of fixed assets,		
intangible assets and other long-term assets	4	—
Cash received from other investment activities	14	3
Sub-total of cash inflows from		
investment activities	18	3
Cash paid for purchase of fixed assets,		
construction in progress, intangible assets and		
other long-term assets	3,613	3,010
Cash paid for investments	10	178
Sub-total of cash outflows from		
investment activities	3,623	3,188
Net cash flows from investing activities	-3,605	-3,185

III. Cash flows from financing activities:		
Cash received from borrowings	1,370	2,200
Sub-total of cash inflows from financing activities	1,370	2,200
Repayment of borrowings	1,434	1,157
Cash paid for dividend, profit or interest	303	223
Cash paid in relation to other financing activities	59	8
Sub-total of cash outflows from financing activities	1,796	1,388
Net cash flows from financing activities	-426	812
IV. Effect of exchange rate changes on cash and cash equivalents held	—	—
V. Net increase in cash and cash equivalents (“-” for decrease)	-313	166
Add: Cash and cash equivalents at the beginning of the period	7,733	1,480
VI. Cash and cash equivalents at the end of the period	7,420	1,646

Legal representative:	Person in charge of accounting:	The Head of accounting department:
Zhang Xiaogang	Ma Lianyong	Ma Lianyong

4.4 Audit report

Audit opinion: unaudited

By order of the Board
Fu Jihui
Secretary to the Board

Anshan City
Liaoning Province, the PRC
14 April 2008

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

Executive Directors:

Zhang Xiaogang

Tang Fuping

Yang Hua

Huang Haodong

Wang Chunming

Lin Daqing

Fu Wei

Fu Jihui

Non-Executive Director:

Yu Wanyuan

Independent non-executive directors:

Wu Xichun

Wang Linsen

Liu Yongze

Francis Li Chak Yan

Wang Xiaobin

* *for identification purpose only*