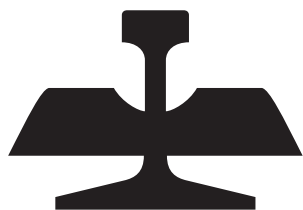


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鞍鋼股份有限公司

ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 347)

2008 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover amounted to Rmb78,985 million
- Profit before tax amounted to Rmb3,847 million
- Profit for the year attributable to equity shareholders of the Company amounted to Rmb2,993 million
- Basic earnings per share amounted to Rmb0.414 (2007: Rmb1.121)
- Proposed final dividend of Rmb0.21 per share (2007: Rmb0.55 per share)

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Unit: Rmb million

	2008	2007		2006	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Turnover	78,985	65,294	65,294	54,596	54,283
Profit before tax	3,847	10,382	10,382	9,387	9,388
Income tax expense	854	2,848	2,848	2,293	2,294
Profit for the year attributable to equity shareholders of the Company	2,993	7,534	7,534	7,094	7,094
Total assets	94,826	87,381	87,381	58,936	58,513
Total liabilities	41,855	33,254	33,254	28,935	28,512
Total equity attributable to equity shareholders of the Company	52,971	54,127	54,127	30,001	30,001
Net assets per share (<i>Rmb</i>)	7.32	7.48	7.48	5.06	5.06
Earnings per share (basic) (<i>Rmb</i>)	0.414	1.121	1.121	1.196	1.074
Return on net assets (%)	5.65	13.92	13.92	23.65	23.65

PREPARED IN ACCORDANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES IN THE PRC (“PRC GAAP”)

1. Key accounting data of Angang Steel Company Limited and its subsidiary (the “Group”) for the year:

For the year ended 31 December 2008

Unit: Rmb million

Item	Amount
Operating profit	3,878
Total profit	3,842
Net profit attributable to shareholders of the Company	2,989
Net profit before extraordinary items attributable to shareholders of the Company	3,016
Net cash flow generated from operating activities	11,938
Investment income	96
Net non-operating expenses	(36)
Net increase in cash and cash equivalents	(4,759)

Note: Extraordinary items and amounts of the Group during the reporting period:

No.	Extraordinary item	Effect on profit <i>(Rmb million)</i>
1	Non-operating income	33
2	Non-operating expenses	(69)
3	Relevant income tax	9
4	Total	(27)

2. Differences between PRC GAAP and IFRSs

Unit: Rmb million

	Net profit		Net asset	
	In the period	In the previous period	Closing balance	Opening balance
Under IFRSs	2,993	7,534	52,971	54,127
Under PRC GAAP	2,989	7,533	53,103	54,263
List of items and effect on total net profit/equity as adjusted under IFRSs				
Additional borrowing costs capitalised	—	(7)	—	—
Pre-operating expenses	—	3	—	—
Re-valuation of land use rights	5	5	(176)	(181)
Deferred income tax assets	(1)	—	44	45
Total adjustments	4	1	(132)	(136)

OPERATING RESULTS FOR 2008

Based on the IFRSs, the Group recorded a profit attributable to equity shareholders of Rmb2,993 million for the year ended 31 December 2008, representing a decrease of 60.27% from the previous year, and its basic weighted average earnings per share was Rmb0.414.

Based on the PRC GAAP, the Group recorded a net profit of Rmb2,989 million for the year ended 31 December 2008, representing a decrease of 60.32% from the previous year, and its basic earnings per share was Rmb0.413.

As audited and confirmed by Zhong Rui Yue Hua Certified Public Accountants Co., Ltd, as at the year end of 2008 the Company's net profit for the year amounted to Rmb2,989 million and the profit available for distribution to shareholders as at the end of 2008 was Rmb11,144 million under the PRC GAAP. The board of directors (the "Board") of the Company recommended a cash dividend of Rmb0.21 per share (inclusive of tax) for 2008 based on the total share capital of 7,234,807,847 shares as at 31 December 2008 in accordance with the PRC regulations and the articles of association of the Company.

Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the final dividend will be distributed to the H shareholders of the Company whose names appear on the register of H shareholders of the Company at the close of business on Wednesday, 13 May 2009. The register of the H shareholders of the Company will be closed from Thursday, 14 May 2009 to Friday, 12 June 2009 (both days inclusive), during which no transfer of the H shares of the Company will be registered. To qualify for the final dividend, all transfer of the H shares of the Company accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's H share registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 13 May 2009.

BUSINESS REVIEW

1. Stable production and operation

During the reporting period, the Group produced 16,078,200 tonnes of iron, 15,996,900 tonnes of steel and 14,984,900 tonnes of steel products, representing a decrease of 0.14%, a decrease of 0.52% and an increase of 0.34%, respectively, as compared with the previous year. Sales of steel products amounted to 15,233,300 tonnes, representing an increase of 0.99% as compared with the previous year and realizing a 101.66% of production to sale ratio for steel products.

2. Substantial progress in energy saving, emission reduction and environment protection

The Group enhanced its environmental protection and approved 53 energy saving projects during the year, with a total investment of Rmb928 million. The Group implemented 11 pollution control projects, including renovation of roof dust collector for seven blast furnaces. The Group actively promoted the utilisation of new energy, including wind power, seawater and solar energy, at the Bayuquan project.

There was no material environment pollution accident or any environmental accident at or above Grade III for the year. The Company has fully complied with the requirements for the simultaneous design, construction and operation commencement of the environment protection facilities for all of its new, renovation and expansion projects. The air indices, including that for sulphur dioxide, nitrogen dioxide and inhalable particulates have attained the national standards.

3. Prominent achievements in new products development

A total of 210 research programmes were completed in the year. The Group cooperated with the Central Iron & Steel Research Institute in Beijing and the University of Science and Technology Beijing and entered into 58 technology contracts in order to leverage on the technology and research strength of the renowned universities and research institutes in China and establish a comprehensive technology innovation system. The Company completed the research for 70 technical know-how and the applications for 375 national patents. The Group has also applied for 3 international patents for the first time. The quantity and quality of the technical know-how and national patents have achieved a record high, coupled with a ground-breaking progress in international patent application. A total of 3,066,000 tonnes newly developed products were produced in the year, contributing a total of Rmb18,585 million to the sale revenue.

4. On-schedule progress of the construction of new projects

The construction of various facilities at the Bayuquan Iron and Steel Project has been completed and such facilities have commenced operation since August 2008. The project is the first large-scaled and modernised iron and steel production base located in the costal area of China, where advanced and environmental protection technologies are applied. It was completed by the Company in reliance on its own resources and strengths and by overcoming various difficulties associated with the complicated production processes, high technical standards and sophisticated operations. It produced a total of 540,000 tonnes of iron, 430,000 tonnes of steel and 220,000 tonnes of steel products reached in 2008.

The main equipment installation for the production lines of high-performance silicon steel was completed as to 80% and the construction of the new No. 5 blast furnace was completed as to 95%. The construction of No. 7 and 8 coke oven facilities, No. 4 coke dry quenching facilities and the supporting power generation facilities for dry quenching facilities for the Phase III Chemical Project were completed and such facilities commenced operation. The assessment of the 2130 cold rolling production line at the production facilities at the west area of Anshan City has been completed, with the engineering excellence rate attaining to 100%. A total of Rmb68.00 million has been saved from the proposed investment in the project. The project also won the “Lu Ban Prize” at the national level. Various key projects, including renovation of seamless $\phi 177$ production lines, renovation of the iron works of No. 3 sinter plant, change of the rolling converter boiler of No. 3 steel smelting plant and renovation of No. 3 converter of No. 2 steel smelting plant were completed as scheduled.

5. Better marketing and procurement results

The Company further enhanced its marketing system and formulated scientific and rational marketing strategies and pricing policies to generate more economic benefits. Faced with the financial crisis, the Company formulated rational and effective sales strategies in a timely manner and, proactively procured new sales contracts to ensure appropriate production scale and effectively control the inventories of finished products, and ensured liquidity safety, stable production and smooth operation.

The Company substantially adjusted its product mix and steadily implemented its branding strategies. Apart from maintaining its close relationship with the famous enterprises, including CNPC, SINOPEC, DSIC, CIMC and FAW, the Group developed a group of new direct-supply customers, including the well-known enterprises such as BYD, Beijing Hyundai, STX (Dalian) Shipyard, SANY and Bridgestone. The Company proactively expanded its overseas markets and enhanced its international operation, as a result of which, it exported a total of 2,380,000 tonnes of steel products. In 2008, the Company sold a total of 1,424,100 tonnes of steel plates to the automobiles industry, a total of 2,022,000 tonnes of steel plates to the ship-building industry, a total of 694,200 tonnes of steel plates for steel containers and a total of 602,600 tonnes of heavy rails.

The Company also endeavoured to secure the supply of raw materials and fuels, including coals, in order to control the cost. While leveraging on its relationships with the strategic suppliers, including Shanxi Coking Coal Group and Heilongjiang Longmay Mining Holding, in order to procure their fulfillment of their supply commitments, the Company also actively sought new strategic partners and substantially reduced its exposure to shortage of raw materials and fuels supply. In the fourth quarter of 2008, the Company promptly changed its procurement focus from “securing the resources” to “reducing the costs” in order to control its purchase prices at a level no higher than its competitors in the industry. During the same period, it also controlled its purchase volume and reduced its high-priced inventories in order to reduce its production costs.

6. Steady progress in external investments

The Group implemented scientific decision-making procedures for its external investment projects and achieved timely implementation of such projects pursuant to its development strategy of expanding its geographic presence and extending its industrial chain. The registration with the relevant administrative authority for industry and commerce for and the capital contribution to Angang Steel Logistics (Wuhan) Company Limited were completed. The joint venture contract with Tianjin Tian Tie Group was entered into and the initial capital contribution was completed.

7. Significant improvement of corporate management level

The campaign of benchmarking management for performance excellence was effectively carried out. The Company established a three-level benchmarking management system and created a comprehensive management innovation system available for the participation of all the employees and flexible for further improvements. The Company made remarkable achievements under such systems.

The Company further strengthened its quality management and improved its products quality. A total of 23 quality indices complied with the required standards targets and a total of 17 quality indices was improved as compared with the previous year. The customers' satisfaction level was considerably improved.

The Company continued to improve its financial management system and enhance its production process cost accounting system, quality cost accounting system and external investment assessment system. The accounting system of Bayuquan Branch was designed pursuant to rational and effectiveness principles. The Company also established and effectively implemented a centralised finance management system.

The Company accelerated the construction of its enterprise information infrastructure. The Company continued to improve the online function of its ERP production and sales system and successfully launched the on-line operations of its ERP finance cost system and ERP equipment management sub-system, which were also integrated into the Company's centralised finance cost system. Such achievements demonstrate a progress of the Company from traditional management to information-based management.

UNDER THE IFRSs

Unit: Rmb million

Item	2008	2007 <i>(restated)</i>	Change <i>(%)</i>	Reason for change
Total assets	94,826	87,381	8.52	A
Non-current liabilities	17,706	12,443	42.30	A
Equity attributable to shareholders of the Company	52,971	54,127	(2.14)	B
Turnover	78,985	65,294	20.97	C
Gross profit	8,146	14,499	(43.82)	D
Profit for the year attributable to shareholders of the Company	2,993	7,534	(60.27)	D
Net increase in cash and cash equivalents	(4,759)	6,276	(175.83)	E

Notes:

- A. The increase in total assets and non-current liabilities was mainly attributable to the increase in net profits generated from operations and loans for construction projects and working capital respectively;
- B. The decrease in shareholder's interests was mainly due to: (1) the decrease of Rmb986 million in retained earnings (including: the increase of Rmb2,993 million in net profit for the year, the decrease of Rmb3,979 million for payment of dividend for 2007); (2) the decrease in reserve of Rmb170 million arising from change in fair value of available-for-sale financial assets;
- C. The increased turnover was mainly arising from the rising steel product price in first three quarters and the increase in sales volume of products during the year;
- D. The decreased gross profit and profit for the year were mainly due to: (1) hiking cost of raw materials; (2) decreased profitability as a result of plummeting steel product price in the fourth quarter and allowance of inventory;
- E. The lower of net increase in cash and cash equivalents was mainly attributable to: (1) the increase of Rmb4,258 million in the net cash inflow from operating activities as compared with the previous year due to the decrease in operating receivables and the increase in operating payables; (2) the decrease of Rmb2,048 million in net cash outflows from investing activities as compared with the previous year due to the decreased acquisition of fixed assets and expenditures in construction in progress; and (3) the decrease of Rmb17,341 million in net cash inflow from financing activities as compared with the previous year due to the fact that there was no proceeds from share issue for the year as was in last year.

INVESTMENT OF THE COMPANY

(1) External Investments:

The Company's external investment for 2008 amounted to Rmb1,361 million, representing an increase of 448.79% from Rmb248 million in last year.

In particular, the Company invested Rmb60 million, Rmb975 million, Rmb315 million and Rmb11 million in Angang Steel Logistics (Wuhan) Company Limited, Tainjin Angang Tian Tie Cold Rolled Sheets Company Limited, Angang Holdings Financial Company Limited and Angang Package Steel Strip Company Limited, respectively.

(2) Use of fund raised

From October 2007 to November 2007, the Company raised funds of Rmb20,006 million in total from the rights issue of 1,301,822,150 shares to all shareholders of the Company, with net proceeds of Rmb19,905 million after deducting rights issue related expenses.

STATEMENT OF USE OF THE PROCEEDS

Unit: Rmb million

Total proceeds	19,905	Total use of proceeds during the year	8,036
Total proceeds with use changed	0	Accumulated proceeds used	19,905
Percentage of total proceeds with use changed	0%		

Investment projects undertaken	Changes in use of proceeds (including part of changes)	Total proceeds undertaken to be utilised	Total investment after adjustment	Proceeds to be utilised at the period end (1)	Proceeds utilised during the year	Difference between accumulative proceeds utilised and proceeds undertaken			Ratio of proceed utilisation at the end of the period (4)=(2)/(1)	Date of availability of the projects for intended use	Net profit for the year	Whether to reach expected profit	Any significant changes to feasibility of the project
						Accumulative proceeds utilised at the end of the period (2)	to be utilised at the end of the period (3)=(2)-(1)	proceed					
Bayuquan Project	No	20,100	19,905	19,905	8,036	19,905	0	100%	—	(2,604)	—	No	

Reason for failing to meet planned progress Project is under construction while proceeds were used as planned.

Reason for there is significant changes to feasibility of the project Not Applicable

Change to implementation location of investment projects using issue proceeds Not Applicable

Change to implementation method of investment projects financed by issue proceeds Not Applicable

Initial investments and fund replacements in investment projects financed by issue proceeds	The Company exchanged for Internal Funds of Rmb6,760 million pre-invested in the project with the fund raised upon receipt of the issue proceeds. Exchange of the raised proceeds had been completed as at 31 December 2007.
Temporary additional working capital from unused proceeds	To improve efficiency of the raised proceeds, reduce finance cost, improve economic benefit and protect the interests of the Company and its shareholders, the 20th meeting of the fourth Board passed the Proposal that the Company Leverages Unused Capital of Rmb1.95 Billion for Temporary Additional Working Capital on 14 December 2007 pursuant to document of Notice on Further Regulating Use of Proceeds Raised by Listed Companies from Securities Offerings (ZJGS Zi [2007] No. 25) promulgated by CSRC. The Company leveraged unused proceeds of Rmb1.95 billion for temporary additional working capital. The Company has repaid in time the proceeds of Rmb1.95 billion used for temporary additional working capital by the way of Internal Funds in July 2008 according to the proposal of the use of proceeds and progress of Bayuquan Project.
Amount of issue proceeds in surplus of requirements for project implementation and reasons	Not Applicable
other information in use of proceeds	No

Note: The reasons for difference between investment amount undertaken after adjustment and that before adjustment are that issue expenses has not been deducted from the investment amount undertaken and the actual number of A shares placed was less than proposed number, and loss from exchange due to change in exchange rate of HK\$ on the date of receiving proceeds from H Share placement and that on the pricing date of the share placement.

(3) Status of investment of non-publicly raised funds:

Unit: Rmb million

Project Name	Project budget amount	Project Progress	Project benefits
2130 cold rolling production line	2,640	100%	797
Chemical phrase III, benzyl and transformer substation renovation	2,589	86%	1,352
1450 Project in West Area	2,900	92.77%	(18)
High-performance silicon steel project	2,800	65.22%	—
	<u>10,929</u>	<u>—</u>	<u>2,131</u>
Total	<u>10,929</u>	<u>—</u>	<u>2,131</u>

NUMBER OF EMPLOYEES, EMPLOYEES' QUALIFICATIONS, SALARY POLICY AND TRAINING PROGRAMMES OF THE COMPANY

As of 31 December 2008, the Company had 31,254 employees, of which 21,169 were production staff, 277 were sales staff, 2,883 were technicians, 293 were accounting staff and 1,724 were administration personnel. Of the Company's employees, 5,562 held bachelor or higher degrees, representing 17.8% of the total number of the employees; 7,157 held diplomas, representing 22.9% of the total number of the employees and 14,525 held the certificate of secondary education, representing 46.5% of the total number of the employees.

In 2008, 350 members of senior management attended training for, among others, political theory knowledge, strategy management, and 3,854 management technology staff attended training for management knowledge, computer, English, expertise and studying in institutes and colleges. 11,631 production staff attended training for technical grade, computer, equipment inspection, security knowledge. 21,160 employees attended training for operating skills, 1,836 employees attended training for team and group management knowledge, and 81 employees attended training for on-the-job studying for master's or doctor's degree. As a result of these trainings, the overall quality of employees have been improved, which enabled the Company to achieve production and operation targets.

The Company has adopted a position and performance-based annual remuneration packages for senior management; position-based linked remuneration and new product development incentive packages for research personnel; sales/profit-linked remuneration package for sales personnel; and position-based remuneration packages for other personnel.

DEVELOPMENT PLAN FOR 2009

1. Outlook for the Steel Market and the Opportunities and Challenges for the Company

2009 will be a crucial year for the Company to expedite its development to become a most competitive steel manufacturer in the international market. The challenges and opportunities Coexist in 2009. From the negative perspective, with the global financial crisis commencing to affect the substance of the economy, the global economy growth will substantially slow down. The domestic economy of China is also facing with the adverse impact of cyclical adjustment and industrial restructuring. The possibility for the economy of China to experience a downturn in 2009 is expected to increase due to the sluggish domestic consumption.

From the positive perspective, the fundamental factors and long-term growth trend of the economy of China remain unchanged. Recently, the Chinese central government has implemented various more proactive fiscal policies and more relaxed monetary policies, and promulgated a series of industry revitalisation measures and in plans with focuses on ensuring the domestic economic growth, expanding the domestic consumption demand, restructuring the domestic industries and achieving a sound and growing economy, in order to provide certainties for a stable economic growth in 2009. From the perspective of the Company, it has substantially enhanced the standards of its technology and equipment and improved its performance results. Bayuquan Project has gradually achieved its desired production capacity level and the product mix has been further optimized. All such factors will enable us to excel in the market.

2. Operation plan of the Company for 2009

The strategy of the Company in 2009 are to overcome the challenges, capture the opportunities, establish a new management system, further improve technical innovation capability, carry out the “Four Changes” campaign, in order to achieve an overall and sustainable growth and attain the purpose of becoming a most competitive steel manufacturer in the international market.

- (1) To establish a new management system and improve the overall management and control capabilities.
- (2) To enhance the internal control system in order to effectively prevent the relevant risks.
- (3) To enhance the technological innovation mechanism and expedite the development of an innovative corporate structure.
- (4) To strengthen energy saving and emission reduction to achieve a sustainable growth.
- (5) To focus on key factors of the operation and management and improve adaptability to market changes.
- (6) To expedite the technical renovation projects and continue to upgrade the equipment.
- (7) To strengthen the corporate management and achieve an overall management improvement.
- (8) To expedite the development of Bayuquan Project and fully release its growth potential.
- (9) To achieve a harmonies organic growth by adhering to the people-oriented principle.

3. Capital Requirements, Utilisation Plan and Funding Sources for 2009

The estimated investment amount for the Company's new Bayuquan Iron and Steel Project is Rmb3.53 billion in 2009. In addition, the Company plans to invest Rmb4.6 billion in 2009 in various technical renovation projects including construction of high-performance silicon steel production lines, renovation of chemical plant, renovation of seamless ϕ 177 Unit and wire rod plant.

In 2009, the Company's capital requirements will be mainly financed by the net proceeds raised from market financing, cash generated from operating activities and bank loans.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE OF THE GROUP (PREPARED IN ACCORDANCE WITH IFRSs)

As of 31 December 2008, the Group had long-term loans of Rmb17,565 million (exclusive of loans due within one year) with interest rates ranging from 4.86% to 6.966% per annum. Under the terms of 3 to 25 years, the loans will expire during the period from 2010 to 2030. The loans are mainly used for additional working capital and project fund. The Group's long-term loans due within one year amounted to Rmb1,031 million. With good creditability and high profitability of products, the Group will have sufficient cash to repay the existing liabilities falling due in the future.

As of 31 December 2008, the Group's cash and cash equivalents decreased by Rmb4,759 million to Rmb2,974 million from Rmb7,733 million in the previous year, which was mainly attributable to (1) Rmb10,831 million in net cash inflow from operating activities; (2) Rmb15,979 million in net cash outflow from investment activities; and (3) Rmb389 million in net cash inflow from financing activities.

As at the end of 2008, the Group's total assets less current liabilities amounted to Rmb70,677 million, compared with Rmb66,570 million at the end of 2007.

The shareholders' equity of the Group amounted to Rmb52,971 million in the end of 2008, compared with Rmb54,127 million as at 31 December 2007.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2008, the Group had capital commitment of Rmb5,782 million, which was primarily for signed construction and renovation contracts pending for implementation or full implementation.

As at 31 December 2008, the Group did not have any contingent liabilities.

FOREIGN EXCHANGE RISK

The Group did not have a significant foreign currency risk exposure arising from its exported products and the import and procurement of raw material for production and equipments for projects as the Group adopts locked exchange rates to settle the amounts with main export and import agents.

GEARING RATIO

Under the IFRSs, the ratio of the Group's shareholders' equity to liabilities in 2008 was 1.27 times (2007: 1.63 times).

MATERIAL LITIGATION AND ARBITRATION

The Group was not involved in any material litigation or arbitration in 2008.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the reporting period, there was no other purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities.

CORPORATE GOVERNANCE PRACTICE

With shares listed on both The Stock Exchange of Hong Kong Limited and the Shenzhen Stock Exchange, the Company is committed to improving its corporate governance in accordance with international corporate governance standards. The Board and the management understand that they are responsible for establishing good corporate governance practices and procedures and the strict implementation of such practices and procedures, in order to protect the interests of the shareholders and to maximise the investment return for the shareholders in the long term.

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.

AUDIT COMMITTEE

The audit committee of the Board and the management of the Company have jointly reviewed the Group’s accounting policy and the audited consolidated financial statements for the year ended 31 December 2008, and have discussed on the issues in relation to the auditing, internal control and financial statements of the Group.

MATERIAL GUARANTEE

There were no material guarantees provided by the Group as at 31 December 2008.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2008 will be held on Friday, 12 June 2009. A notice convening the annual general meeting and the annual report for 2008 of the Company will be published and delivered to the H shareholders of Company in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in due course.

FINANCIAL STATEMENTS

I. FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (EXTRACTED)

The following is a summary of the audited consolidated results for the year ended 31 December 2008 extracted from the audited consolidated financial statements of the Group prepared in accordance with the IFRSs, together with comparative figures for corresponding period in 2007.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

		2008	2007
	<i>Note</i>	<i>Rmb million</i>	<i>Rmb million</i>
Turnover	4	78,985	65,294
Cost of sales		(69,891)	(50,031)
Sales related taxes		(948)	(764)
		<hr/>	<hr/>
Gross profit		8,146	14,499
Other operating loss, net	5	(114)	(218)
Distribution and other operating expenses		(1,687)	(1,598)
Administrative expenses		(1,884)	(1,626)
		<hr/>	<hr/>
Profit from operations		4,461	11,057
Net finance costs	7(a)	(694)	(755)
Share of profits less losses of associates		33	3
Share of profits less losses of jointly controlled entities		47	77
		<hr/>	<hr/>
Profit before tax		3,847	10,382
Income tax expense	6	(854)	(2,848)
		<hr/>	<hr/>
Profit for the year attributable to equity holders of the Company	7	<u>2,993</u>	<u>7,534</u>
Dividends to equity holders of the Company for the year			
Final dividend proposed after the balance sheet date	8	<u>1,519</u>	<u>3,979</u>
Earnings per share	9		
— Basic		<u>Rmb0.414</u>	<u>Rmb1.121</u>

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	<i>Note</i>	2008 <i>Rmb million</i>	2007 <i>Rmb million</i> (restated)
Non-current assets			
Property, plant and equipment		43,256	32,659
Intangible assets		18	22
Construction in progress		18,789	17,115
Lease prepayments		6,563	5,370
Interests in jointly controlled entities		864	825
Interests in associates		1,388	50
Other investments		55	281
Deferred tax assets		1,093	108
		<hr/>	<hr/>
		72,026	56,430
		<hr/>	<hr/>
Current assets			
Inventories		10,372	8,701
Amount due from ultimate parent		97	—
Amounts due from fellow subsidiaries		2,576	5,102
Trade receivables	10	3,000	6,495
Prepayments, deposits and other receivables		2,796	2,920
Current tax assets		985	—
Cash and cash equivalents		2,974	7,733
		<hr/>	<hr/>
		22,800	30,951
		<hr/>	<hr/>

Current liabilities

Trade payables	11	7,805	2,718
Amount due to ultimate parent		11	41
Amounts due to fellow subsidiaries		2,087	1,898
Amounts due to			
jointly controlled entities		25	147
Amounts due to associates		42	—
Current tax liabilities		—	102
Other payables		5,578	6,255
Current portion of bank loans		8,601	7,326
Current portion of long-term payable to ultimate parent		—	2,324
		<u>24,149</u>	<u>20,811</u>

Net current (liabilities)/assets (1,349) 10,140

Total assets less current liabilities 70,677 66,570

Non-current liabilities

Bank loans		17,565	12,297
Provisions		102	146
Deferred income		39	—
		<u>17,706</u>	<u>12,443</u>

NET ASSETS 52,971 54,127

CAPITAL AND RESERVES

Share capital	12	7,235	7,235
Share premium		31,414	31,414
Reserves		3,107	2,968
Retained profits		11,215	12,510
		<u>11,215</u>	<u>12,510</u>

**EQUITY ATTRIBUTABLE TO EQUITY
HOLDERS OF THE COMPANY**

52,971 54,127

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	<i>Note</i>	Share capital <i>Rmb million</i>	Share premium <i>Rmb million</i>	Reserves <i>Rmb million</i>	Retained profits <i>Rmb million</i>	Total <i>Rmb million</i>
At 1 January 2007		5,933	12,811	2,076	9,181	30,001
Change in fair value of available-for-sale financial assets		—	—	143	—	143
Expenses related to rights issue		—	(101)	—	—	(101)
Net income recognised directly in equity		—	(101)	143	—	42
Profit for the year		—	—	—	7,534	7,534
Total recognised income and expense for the year		—	(101)	143	7,534	7,576
Issuance of share for rights issue		1,302	18,704	—	—	20,006
Proposed transfer between reserves (restated)		—	—	764	(764)	—
Effect of change in deferred tax relating to revaluation surplus		—	—	(15)	—	(15)
Final dividends — 2006	8(b)	—	—	—	(3,441)	(3,441)
At 31 December 2007 (restated)		<u>7,235</u>	<u>31,414</u>	<u>2,968</u>	<u>12,510</u>	<u>54,127</u>

At 1 January 2008 (restated)		7,235	31,414	2,968	12,510	54,127
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in fair value of						
available-for-sale financial assets		—	—	(170)	—	(170)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net expense recognised directly in equity		—	—	(170)	—	(170)
Profit for the year		—	—	—	2,993	2,993
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total recognised income and						
expense for the year		—	—	(170)	2,993	2,823
Proposed transfer between reserves		—	—	309	(309)	—
Final dividends — 2007	8(b)	—	—	—	(3,979)	(3,979)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2008		<u>7,235</u>	<u>31,414</u>	<u>3,107</u>	<u>11,215</u>	<u>52,971</u>

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of other investments which are carried at their fair values.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2008. IFRSs comprise International Financial Reporting Standards; International Accounting Standards and Interpretations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

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:

	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
Turnover		
— The PRC	65,098	51,383
— Other countries	13,887	13,911
	<u>78,985</u>	<u>65,294</u>

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

4. TURNOVER

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

5. OTHER OPERATING LOSS, NET

	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
Loss on disposals of property, plant and equipment	(46)	(80)
Impairment losses on property, plant and equipment	(64)	(111)
Loss from sales of raw and scrap materials	(72)	(51)
Government grant	9	—
Written back of long outstanding accounts payables	—	2
Packaging materials income	—	1
Insurance compensation	11	9
Dividend income from other investments	16	4
Others	32	8
	<u>(114)</u>	<u>(218)</u>

6. INCOME TAX

(a) Income tax expense in the income statement

	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
Current tax expense		
— Provision for PRC enterprise income tax for the year	1,783	2,907
Deferred tax expense	<u>(929)</u>	<u>(59)</u>
	<u>854</u>	<u>2,848</u>

The provision for PRC enterprise income tax is based on a statutory rate of 25% (2007: 33%) of the estimated assessable profits of the Group entities as determined in accordance with the relevant income tax rules and regulations of the PRC.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC enterprise income tax rate is as follows:

	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
Profit before tax	<u>3,847</u>	<u>10,382</u>
Tax at a statutory tax rate of 25% (2007: 33%)	961	3,426
Tax effect of non-taxable income	(45)	(75)
Tax effect of non-deductible expenses	10	112
Additional deduction*	(72)	(598)
Tax credit*	<u>—</u>	<u>(17)</u>
	<u>854</u>	<u>2,848</u>

* Pursuant to relevant PRC tax regulations, the Group is entitled to claim an additional deduction based on 50% of approved research and development costs and a tax credit relating to purchases of equipment produced in the PRC for specified technological purposes.

7. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

(a) Net finance costs

	2008	2007
	<i>Rmb million</i>	<i>Rmb million</i>
Interest and other borrowing costs	1,553	1,402
Less: Amount capitalised as construction in progress*	(784)	(682)
Net interest expenses	769	720
Net exchange (gain)/loss	(46)	59
Interest income	(37)	(27)
Bank charges	4	3
Others	4	—
	694	755

* The borrowing costs have been capitalised at an average rate of 6.33% (2007: 5.99%) per annum for construction in progress.

(b) Other items

	2008	2007
	<i>Rmb million</i>	<i>Rmb million</i>
Auditors' remuneration	6	9
Cost of inventories sold	69,891	50,031
Depreciation	4,775	4,142
Amortisation of intangible assets (included in administrative expenses)	4	5
Amortisation of lease prepayments	135	114
Impairment losses on property, plant and equipment (included in other operating loss, net)	64	111
Net allowance/(reversal) of allowance for inventories	1,929	(12)
Staff costs		
— Salaries and wages, welfare and other costs	1,933	1,708
— Contributions to defined contribution scheme	633	528
	2,566	2,236
Repairs and maintenance	3,401	2,983
Research and development costs	25	21

8. DIVIDENDS

(a) Dividend for the year

	2008	2007
	<i>Rmb million</i>	<i>Rmb million</i>
Final dividend proposed after the balance sheet date of Rmb21 cents per share (2007: Rmb55 cents per share)	1,519	3,979

Pursuant to a resolution passed at the directors' meeting on 14 April 2009, a final dividend of Rmb21 cents (2007: Rmb55 cents) per share totalling Rmb1,519 million (2007: Rmb3,979 million) was approved for shareholders' approval at the forthcoming annual general meeting.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

- (b) Dividend for the previous financial year, approved and paid during the year

	2008	2007
	<i>Rmb million</i>	<i>Rmb million</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of Rmb55 cents per share (2007: Rmb58 cents per share)	<u>3,979</u>	<u>3,441</u>

9. EARNINGS PER SHARE

- (a) Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of Rmb2,993 million (2007: Rmb7,534 million) and the weighted average number of shares of 7,235 million in issue during the year (2007: 6,721 million) as follows:

	2008	2007
	<i>Million</i>	<i>Million</i>
Issued shares at 1 January	7,235	5,933
Effect of rights issue (<i>Note 12(b)</i>)	<u>—</u>	<u>788</u>
Weighted average number of shares for the year	<u>7,235</u>	<u>6,721</u>

- (b) Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential equity shares in existence during the two years ended 31 December 2008.

10. TRADE RECEIVABLES

	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
Accounts receivables	417	412
Bills receivables	<u>2,583</u>	<u>6,083</u>
	<u>3,000</u>	<u>6,495</u>

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
Less than 3 months	2,386	4,652
More than 3 months but less than 12 months	610	1,839
More than 1 year	<u>4</u>	<u>4</u>
	<u>3,000</u>	<u>6,495</u>

As of 31 December 2008, trade receivables of Rmb48 million (2007: Rmb106 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
Less than 3 months	44	6
More than 3 months but less than 12 months	—	96
More than 1 year	<u>4</u>	<u>4</u>
	<u>48</u>	<u>106</u>

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

11. TRADE PAYABLES

	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
Accounts payables	3,220	1,666
Bills payables	4,585	1,052
	<u>7,805</u>	<u>2,718</u>

The ageing analysis of trade payables at the balance sheet date is as follows:

	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
Due on demand	751	154
Due within 3 months	7,054	2,200
Due after 3 months but within 6 months	—	364
	<u>7,805</u>	<u>2,718</u>

12. SHARE CAPITAL

	2008		2007	
	<i>Number of shares million</i>	<i>Rmb million</i>	<i>Number of shares million</i>	<i>Rmb million</i>
Issued and fully paid:				
State-owned legal person shares of Rmb1 each				
At 1 January	4,868	4,868	3,990	3,990
Transfer (<i>note (a)</i>)	1	1	—	—
Issuance of shares for rights issue (<i>note (b)</i>)	—	—	878	878
As at 31 December	4,869	4,869	4,868	4,868
A shares of Rmb1 each				
At 1 January	1,281	1,281	1,053	1,053
Transfer (<i>note (a)</i>)	(1)	(1)	—	—
Issuance of shares for rights issue (<i>note (b)</i>)	—	—	228	228
As at 31 December	1,280	1,280	1,281	1,281
H shares of Rmb1 each				
At 1 January	1,086	1,086	890	890
Issuance of shares for rights issue (<i>note (b)</i>)	—	—	196	196
As at 31 December	1,086	1,086	1,086	1,086
	7,235	7,235	7,235	7,235

Notes:

- (a) During the year, Angang Holding acquired additional 1,000,000 A shares of Rmb1 each of the Company from the public.
- (b) As authorised by the documents “Notice Regarding Approval of Placement of Angang Steel Company Limited” (Zheng Jian Fa Xing Zi* [2007] No. 313) and “Approval Reply Regarding Placement of Foreign Investors’ Shares of Angang Steel Company Limited Listed Outside of the PRC” (Zheng Jian Guo He Zi* [2007] No. 33 issued by the China Securities Regulatory Commission (“CSRC”) on 24 September 2007 and 28 September 2007, the Company proposed to issue domestic rights shares and H rights shares (“Right Shares Issue”) to all shareholders with 5,932,985,697 outstanding shares on the basis of 2.2 rights shares for every 10 existing shares in October 2007. The entitlements to the rights shares under the Right Shares Issue represent a total of 1,301,822,150 shares, including 1,106,022,150 domestic shares, and the remaining 195,800,000 H shares. The subscription price for domestic shares and H shares is Rmb15.40 per share and HKD15.91 respectively.

The total subscription fund amounted to Rmb20,006 million. Deducted by the issuance fee of Rmb108 million and the interest income of the subscription fund of Rmb7 million, the Company received the net subscription fund of Rmb19,905 million. This increased the paid-up capital and share premium by Rmb1,302 million and Rmb18,603 million respectively.
- (c) All the state-owned legal person shares, A and H shares rank pari passu in all material respects.

II. FINANCIAL STATEMENTS PREPARED UNDER THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

1. Audit Opinion

The consolidated financial statements prepared under the PRC Accounting Standards for Business Enterprises of the Group had been audited by Zhong Rui Yue Hua Certified Public Accountants Co., Ltd. who issued an auditor’s report with an unqualified audit opinion on 14 April 2009.

Consolidated Balance Sheet

As at 31 December 2008

Assets	2008	2007
	<i>Rmb million</i>	<i>Rmb million</i> (Restated)
Current assets:		
Cash at banks and on hand	2,974	7,733
Bills receivable	2,583	6,083
Accounts receivable	1,235	932
Prepayments	2,731	6,600
Other receivables	78	66
Inventories	10,372	8,701
	<hr/>	<hr/>
Total current assets	19,973	30,115
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Non-current assets		
Available-for-sale financial assets	45	271
Long-term equity investments	2,262	885
Property, plant and equipment	43,252	32,656
Construction in progress	12,547	9,985
Construction material	6,242	7,130
Intangible assets	6,761	5,577
Deferred tax assets	1,097	164
	<hr/>	<hr/>
Total non-current assets	72,206	56,668
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets	92,179	86,783
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Consolidated Balance Sheet

As at 31 December 2008

Liabilities and shareholders' equity	2008	2007
	<i>Rmb million</i>	<i>Rmb million</i> (Restated)
Current liabilities		
Short-term loans	7,570	4,512
Bills payable	4,585	1,052
Accounts payable	3,427	1,908
Advances from customers	3,629	4,569
Employee benefits payable	329	310
Taxes payable	(2,771)	(251)
Other payables	3,523	2,737
Non-current liabilities due within one year	1,031	5,138
Total current liabilities	21,323	19,975
Non-current liabilities		
Long-term loans	17,565	12,297
Deferred tax liabilities	47	102
Other non-current liabilities	141	146
Total non-current liabilities	17,753	12,545
Total liabilities	39,076	32,520
Shareholders' equity		
Share capital	7,235	7,235
Capital reserve	31,423	31,593
Surplus reserves	3,301	2,992
Retained earnings	11,144	12,443
Total shareholders' equity	53,103	54,263
Total liabilities and shareholders' equity	92,179	86,783

Consolidated Income Statement

For the year ended 31 December 2008

Items	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
1. Operating income	79,616	65,499
Including: Operating income from main business	79,616	65,499
2. Operating costs	75,834	55,119
Including: Operating cost for main business	66,611	48,346
Business tax and surcharges	948	764
Selling expenses	1,687	1,598
Administrative expenses	3,788	3,509
Financial expenses	694	755
Impairment losses on assets	2,106	147
Add: Gains/losses from fair value variation		
Investment income	96	81
Including: Income from investment in jointly controlled enterprises and associates	80	77
3. Operating profit	3,878	10,461
Add: Non-operating income	33	44
Less: Non-operating expenses	69	121
Including: Loss from non-current assets disposal	63	119
4. Profit before income tax	3,842	10,384
Less: Income tax expense	853	2,851
5. Net profit for the year	2,989	7,533
6. Earnings per share		
(1) Basic earnings per share	0.413	1.121
(2) Diluted earnings per share	0.413	1.121

**III. DIFFERENCES BETWEEN FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS (“IFRSs”) AND ACCOUNTING STANDARDS FOR
BUSINESS ENTERPRISES IN THE PRC (“PRC GAAP”)**

	<i>Note</i>	2008 <i>Rmb million</i>	2007 <i>Rmb million</i>
Profit attributable to equity shareholders of the Company under IFRSs		2,993	7,534
Adjustments:			
Additional borrowing costs capitalised	(i)	—	7
Pre-operating expenses	(ii)	—	(3)
Lease prepayment amortised	(iii)	(5)	(5)
Deferred tax charge	(iv)	1	—
		<hr/>	<hr/>
Profit attributable to equity shareholders of the Company under PRC GAAP		2,989	7,533
		<hr/> <hr/>	<hr/> <hr/>
Total equity attributable to equity shareholders of the Company under IFRSs		52,971	54,127
Adjustments:			
— Revaluation of land use rights	(iii)	176	181
— Deferred tax assets	(iv)	(44)	(45)
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company under PRC GAAP		53,103	54,263
		<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The amounts represent the different treatments on transaction costs and discount on convertible debentures between the IFRSs and the applicable PRC Accounting Rules and Regulations (the Old PRC Accounting Rules and Regulations) before 31 December 2006. Adjustments for year 2007 represent the difference in balance arising from the different accounting treatments after adoption of the PRC GAAP on 1 January 2007.
- (ii) Under the Old PRC 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 PRC GAAP on 1 January 2007, pre-operating expenses are expensed when incurred, which is consistent with the accounting treatment of IFRSs. Adjustments for year 2007 represent the reversal of the balance of pre-operating expenses as at 1 January 2007.
- (iii) Under the Old 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 shareholders' 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.

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

Anshan City, Liaoning Province, the PRC
14 April 2009

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

Executive Directors

Zhang Xiaogang

Tang Fuping

Yang Hua

Chen Ming

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 purposes only*