鞍鋼股份有限公司

ANGANG STEEL COMPANY LIMITED*

(Stock Code: 0347)

2010 Interim Report

* For identification purposes only

Important: The board of directors, the supervisory committee, the directors, the supervisors and the senior management of Angang Steel Company Limited* (鞍鋼股份有限公司) confirm that there are no false representation or misleading statements contained in, or material omissions from, this report, and jointly and severally take responsibilities for the truthfulness, accuracy and completeness of the contents contained herein.

The board of directors (the "Board") of Angang Steel Company Limited* (鞍鋼股份有限公司) (the "Company") is pleased to announce the unaudited results of the Company and subsidiaries under its control (collectively, the "Group") for the six months ended 30 June 2010 together with the comparative figures as stated herein.

For the purpose of this report, the following abbreviations shall have the following meanings:

"Angang Holding"	Anshan Iron and Steel Group Complex*
"ANSI"	Angang New Steel and Iron Company Limited*
"CSRC"	China Securities Regulatory Commission
"IFRSs"	the International Financial Reporting Standards
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"PRC Accounting Standards"	the PRC Accounting Standards for Business Enterprises

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, Tie Xi District, Anshan City, Liaoning Province, the PRC
	Postal Code	:	114021
	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 of the Company	:	Mr. Fu Jihui
	Correspondence Address	:	1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC
	Telephone	:	(86) 412-8419192, 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
	Website for Publication of Interim Report Designated by CSRC	:	http://www.cninfo.com.cn
	Website for Disclosure of the Company's Information in Hong Kong	:	http://www.hkex.com.hk and http://angang.wspr.com.hk
	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: Hong Kong Stock Exchange
7.	Abbreviation of the Company's stock name and Stock Code	:	A shares: Angang Steel 000898 H shares: Angang Steel 0347
8.	The subsidiaries under the Company's control	:	As at 30 June 2010, the Company controlled the following three subsidiaries, namely Angang Steel Logistics (Wuhan) Company Limited*(鞍鋼鋼材配送(武漢)有限公司), Tianjin Angang Tian Tie Cold Rolled Sheets Company Limited* (天津鞍鋼天鐵冷軋薄板有限公司) and Angang Cold Rolled Steel Plate (Putian) Co., Ltd.*(鞍鋼冷軋鋼板(莆田)有限公司)

II. MAJOR FINANCIAL DATA AND INDICES (UNAUDITED)

1. Major financial data

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Unit: RMB million

Items	For the six months ended 30 June 2010	2009
Profit/(loss) attributable to the owners of the Company	**2,767**	(1,549)
Earning/(loss) per share (basic) *(RMB)*	**0.382**	(0.214)
Return on net assets (weighted average)	**5.14%**	1.43%

Items	30 June 2010	31 December 2009
Total assets	**105,814**	103,254
Equity attributable to the owners of the Company	**54,701**	52,419
Liabilities to assets ratio	**47.01%**	47.91%
Net assets per share *(RMB)*	**7.56**	7.25

PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("PRC ACCOUNTING STANDARDS")

Unit: RMB million

Items	For the six months ended 30 June 2010	2009
Operating revenue	**44,040**	30,042
Operating profits	**3,582**	(1,811)
Total profit	**3,591**	(1,755)
Net profit attributable to shareholders of the Company	**2,750**	(1,563)
Net profit less extraordinary items attributable to shareholders of the Company	**2,743**	(1,605)
Basic earnings per share *(RMB)*	**0.380**	(0.216)
Diluted earnings per share *(RMB)*	**0.380**	(0.216)
Return on net assets *(%)*	**5.03**	(3.12)
Net cash flows from operating activities	**1,673**	1,415
Net cash flows per share from operating activities *(RMB)*	**0.231**	0.196

Items	30 June 2010	31 December 2009
Total assets	**103,889**	100,987
Owners' equity attributable to shareholders of the Company (or equity of shareholders)	**54,714**	52,432
Net asset per share attributable to shareholders of the Company *(RMB)*	**7.56**	7.25

Extraordinary items:

Number	Item	Effect on profit *(RMB million)*
1	Gains or losses from disposal of non-current assets	4
2	Government subsidies (except for government subsidies which are closely related to the corporate business and entitled in standard amount or quantities in conformity with the uniform standards of the State) attributable to gains or losses for the period	12
3	Other non-operating income and expenses apart from those stated above	(7)
4	Sub-total	9
5	Effect of income tax	(2)
6	Total	7

2. Differences between financial statements prepared in accordance with the IFRSs and the PRC Accounting Standards

Unit: RMB million

	The Group				Attributable to owners of the Company			
	Net profit		Net asset		Net profit		Net asset	
	For the period	For the pervious period	**Closing balance**	Opening balance	**For the period**	For the pervious period	**Closing balance**	Opening balance
Under IFRSs	**2,776**	(1,549)	**56,076**	53,785	**2,767**	(1,549)	**54,701**	52,419
Under PRC Accounting Standards	**2,759**	(1,563)	**56,089**	53,798	**2,750**	(1,563)	**54,714**	52,432
Items and total amount as adjusted under the IFRSs:								
1. Production safety expenses	**17**	19	**–**	–	**17**	19	**–**	–
2. Deferred income tax assets	**–**	(5)	**(13)**	(13)	**–**	(5)	**(13)**	(13)
Total adjustments	**17**	14	**(13)**	(13)	**17**	14	**(13)**	(13)

3. Return on net assets and earnings per share for the six months ended 30 June 2010 as calculated in accordance with the "Regulations for Preparation and Reporting of Information Disclosure by Listed Companies (No. 9)" issued by CSRC:

	Return on net assets *(%)*		Earnings per share *(RMB/share)*	
Profit for the reporting period	**Fully diluted**	**Weighted average**	**Basic**	**Diluted**
Net profit attributable to holders of ordinary shares of the Company	5.03	5.11	0.380	0.380
Net profit less extraordinary items attributable to holders of ordinary shares of the Company	5.01	5.10	0.379	0.379

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

1. Share capital structure

As at 30 June 2010, the share capital structure of the Company was as follows:

Unit: share

	Before the change during the period		Increase/decrease during the period (+ -)			After the change during the period	
	Number	Percentage (%)	Issue of new shares	Others	Subtotal	Number	Percentage (%)
I. Shares subject to trading moratorium	4,340,902,643	60.00	–	–	–	4,340,902,643	60.00
1. State-owned shares	4,340,884,709	60.00	–	–	–	4,340,884,709	60.00
2. State-owned legal person shares	–	–	–	–	–	–	–
3. Other domestic shares	17,934	0.00	–	–	–	17,934	0.00
Including: shares held by domestic legal persons	–	–	–	–	–	–	–
shares held by domestic natural persons	17,934	0.00	–	–	–	17,934	0.00
4. Foreign investment shares	–	–	–	–	–	–	–
Including: shares held by overseas legal persons	–	–	–	–	–	–	–
shares held by overseas natural persons	–	–	–	–	–	–	–
II. Shares not subject to trading moratorium	2,893,905,204	40.00	–	–	–	2,893,905,204	40.00
1. Renminbi ordinary shares	1,808,105,204	24.99	–	–	–	1,808,105,204	24.99
2. Domestically listed foreign investment shares	–	–	–	–	–	–	–
3. Overseas listed foreign investment shares	1,085,800,000	15.01	–	–	–	1,085,800,000	15.01
4. Others	–	–	–	–	–	–	–
III. Total shares	7,234,807,847	100.00	–	–	–	7,234,807,847	100.00

2. Particulars of Shareholding

(1) As at 30 June 2010, the Company had a total of 210,702 shareholders, of which 560 were holders of H shares.

(2) Shareholdings of major shareholders

As at 30 June 2010, the top 10 shareholders and the top 10 shareholders not subject to trading moratorium of the Company and their respective shareholdings listed on the register were as follows:

Details of shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholder	Percentage of shareholdings (%)	Total number of shares held (share)	Number of shares held subject to trading moratorium (share)	Number of shares pledged/ frozen
Angang Holding	Holder of state-owned shares	67.29	4,868,547,330	4,340,884,709	–
HKSCC (Nominees) Limited	Holder of foreign shares	14.70	1,063,357,328	–	Unknown
Bank of China - Efunds Shenzhen Stock Exchange 100 Index Open-Ended Securities Investment Fund（中國銀行－易方達深證100交易型開放式指數證券投資基金）	Others	0.35	25,225,631	–	Unknown
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）	Others	0.31	22,223,693	–	Unknown

Name of shareholder	Nature of shareholder	Percentage of shareholdings *(%)*	Total number of shares held *(share)*	Number of shares held subject to trading moratorium *(share)*	Number of shares pledged/ frozen
The Industrial and Commercial Bank of China – JianXin Optimal Allocation Mixed Investment Fund（中國工商銀行 — 建信優化配置混合型證券投資基金）	Others	0.26	18,999,427	–	Unknown
Industrial and Commercial Bank of China - China Southern Risk-resistant Value-added Fund（中國工商銀行 — 南方避險增值基金）	Others	0.23	16,971,963	–	Unknown
Industrial and Commercial Bank of China - Rong Tong Shenzhen Stock Exchange 100 Index Investment Fund（中國工商銀行 — 融通深證100指數證券投資基金）	Others	0.22	15,901,824	–	Unknown
The Industrial and Commercial Bank of China - Lion Value Growth Stock Fund（中國工商銀行 — 諾安價值增長股票證券投資基金）	Others	0.21	15,000,000	–	Unknown
China Pacific Life Insurance Co., Ltd. – Traditional – Ordinary Insurance Product（中國太平洋人壽保險股份有限公司 — 傳統 — 普通保險產品）	Others	0.18	13,168,950	–	Unknown
Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund（中國銀行 — 嘉實滬深300指數證券投資基金）	Others	0.16	11,560,228	–	Unknown

Shareholdings of the top 10 shareholders not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium *(share)*	Class of shares
HKSCC (Nominees) Limited	1,063,357,328	Overseas listed foreign shares
Bank of China - Efunds Shenzhen Stock Exchange 100 Index Open-Ended Securities Investment Fund （中國銀行—易方達深證100交易型開放式指數證券投資基金）	25,225,631	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）	22,223,693	Renminbi ordinary shares
The Industrial and Commercial Bank of China — JianXin Optimal Allocation Mixed Investment Fund （中國工商銀行—建信優化配置混合型證券投資基金）	18,999,427	Renminbi ordinary shares
Industrial and Commercial Bank of China — China Southern Risk-resistant Value-added Fund （中國工商銀行—南方避險增值基金）	16,971,963	Renminbi ordinary shares
Industrial and Commercial Bank of China — Rong Tong Shenzhen Stock Exchange 100 Index Investment Fund （中國工商銀行 — 融通深證100指數證券投資基金）	15,901,824	Renminbi ordinary shares
The Industrial and Commercial Bank of China — Lion Value Growth Stock Fund （中國工商銀行 — 諾安價值增長股票證券投資基金）	15,000,000	Renminbi ordinary shares

Name of shareholder	Number of shares held not subject to trading moratorium *(share)*	Class of shares
China Pacific Life Insurance Co., Ltd. — Traditional — Ordinary Insurance Product (中國太平洋人壽保險股份有限公司 — 傳統 — 普通保險產品)	13,168,950	Renminbi ordinary shares
Bank of China — Jia Shi Hu Shen 300 Index Securities Investment Fund (中國銀行 — 嘉實滬深300指數證券投資基金)	11,560,228	Renminbi ordinary shares
China Merchants Bank-Everbright Pramerica Strength Allocation Equity Securities Investment Fund (招商銀行股份有限公司 — 光大保德信優勢配置股票型證券投資基金)	11,164,978	Renminbi ordinary shares

Explanations on the connected relationship or concerted action among the shareholders mentioned above	Angang Holding, the largest shareholder of the Company, has no connected relationship with any of the other top 10 shareholders of the Company or any of the top 10 shareholders not subject to trading moratorium. Nor is Angang Holding a party to any concerted action as provided in the Procedures for the Administration of Information Disclosure for Change in Shareholdings of the Shareholders of Listed Companies. The Company is not aware of any connected relationship among other shareholders of the Company or any shareholders acting in concert as provided in Procedures for the Administration of Information Disclosure for Change in Shareholdings of the Shareholders of Listed Companies.

(3) Details of the controlling shareholder of the Company

The controlling shareholder of the Company is Angang Holding

Legal representative:	Zhang Xiaogang
Year of incorporation:	1948
Scope of operation:	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 equipment and parts, electrical machinery, electricity transmission and supply and control equipment 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 million
Shareholding structure:	Wholly-owned by the PRC

(4) Interests and short positions in the shares and underlying shares of the Company held by substantial shareholders and others

Save for disclosed below, as at 30 June 2010, no other person (other than the Company's Directors, supervisors and senior management) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO of Hong Kong:

Interest in ordinary shares of the Company

Name of shareholder	Number and class of shares held	Percentage in total share capital (%)	Percentage in total issued H shares (%)	Percentage in total issued domestic shares (%)	Capacity
Angang Holding	4,868,547,330 State-owned shares	67.29	–	79.18	Beneficial owner
HKSCC (Nominees) Limited	1,063,357,328 H shares	14.70	97.93	–	Nominee

IV. DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Shareholdings of Directors, supervisors and senior management

As at 30 June 2010, the actual number of shares in the Company's issued share capital held by Directors, supervisors and senior management were as follows:

Name	Position	Number of shares held as at the beginning of the period	Increase in number of shares held during the period	Decrease in number of shares held during the period	Number of shares held as the end of the period	Of which: number of shares subject to trading moratorium	Reason of Change
Zhang Xiaogang	Chairman	0	–	–	0	–	–
Yang Hua	Vice Chairman	0	–	–	0	–	–
Chen Ming	Vice Chairman, Acting General Manager	610	–	–	610	–	–
Yu Wanyuan	Director	16,317	–	–	16,317	–	–
Fu Jihui	Director, Secretary to the Board	8,540	–	–	8,540	6,405	–
Ma Guoqiang	Independent Non-executive Director	0	–	–	0	–	–
Li Shijun	Independent Non-executive Director	0	–	–	0	–	–
Kwong Chi Kit, Victor	Independent Non-executive Director	0	–	–	0	–	–
Wen Baoman	Chairman of the Supervisory Committee	0	–	–	0	–	–

Name	Position	Number of shares held as at the beginning of the period	Increase in number of shares held during the period	Decrease in number of shares held during the period	Number of shares held as the end of the period	Of which: number of shares subject to trading moratorium	Reason of Change
Shan Mingyi	Supervisor	5,124	–	–	5,124	–	–
Xing Guibin	Supervisor	0	–	–	0	–	–
Zhang Lifen	Deputy General Manager	0	–	–	0	–	–
Fu Wei	Deputy General Manager	15,372	–	–	15,372	11,529	–
Ma Lianyong	Chief Accountant	0	–	–	0	–	–

All the shares mentioned above are A shares of the Company. Such shares were held by the persons mentioned above in the capacity of individual beneficial owner except for Mr. Chen Ming, Mr. Yu Wanyuan and Mr. Shan Mingyi in the capacity of family interest (held by their respective spouse).

2. Interests and short positions in shares, underlying shares and debentures of the Company held by Directors and supervisors

Save as disclosed above, as at 30 June 2010, none of the Directors, supervisors or senior management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) which were recorded in the register required to be kept under Section 352 of the SFO of Hong Kong, 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 Hong Kong Listing Rules.

3. Changes of Directors, supervisors and senior management during the reporting period

The 12th meeting of the fifth Board of the Company approved the resignation of Mr. Liu Wei as an independent Director of the Company on 21 June 2010.

V. MANAGEMENT DISCUSSION AND ANALYSIS

1. Business review:

Under the IFRSs, the Group recorded a profit attributable to owners of the Company of RMB2,767 million for the six months ended 30 June 2010, representing an increase of 278.63% as compared with the same period of the previous year. The basic earnings per share was RMB0.382.

In accordance with the PRC Accounting Standards, the Group recorded a net profit attributable to shareholders of the Company of RMB2,750 million for the six months ended 30 June 2010, representing an increase of 275.94% as compared with the same period of the previous year. The earnings per share was RMB0.380.

(1) Increase in output of products through strengthening overall management and control

From January to June, the Group produced 10,740,800 tonnes iron, 10,571,100 tonnes steel and 10,168,500 tonnes steel products, representing an increase of 15.81%, 16.14% and 19.33%, respectively, as compared with the same period of the previous year; the Company sold 9,706,200 tonnes steel products, representing an increase of 16.88% as compared with the same period of the previous year.

Of which, Bayuquan Branch produced 3,190,000 tonnes iron, 3,200,000 tonnes steel and 2,830,000 tonnes steel products, representing an increase of 56.9%, 65.9% and 73.5%, respectively, as compared with the same period of the previous year.

(2) Further optimization and adjustment of product mix to ensure maximum economic benefits

During the first half of the year, leveraging on the opportunities arising from the price surge in the steel market, the Company went full steam ahead with its structural adjustment and bolstered its output volume of high efficiency vehicle panels and silicon steel. Sales volume of cold rolled vehicle sheets reached a historical high of 801,600 tonnes. The Company actively pushed forward its progress to attain the designed production capacity for cost effective projects. The Company is gradually attaining to its targets in relation to the production and technology of high-performance silicon steel. Benefits from the efforts to optimize product mix in the first half of the year was remarkable, with an increase of RMB720 million in profit as compared with the same period of the previous year.

(3) Implementation of research and development projects and enhancement of capability for technical innovation and independent R&D

A profit of RMB170.577 million is expected to be realized from technological achievement upon completion of 39 new scientific research projects and one carried-forward project. The Company undertook 3 projects funded by the State of the PRC. Projects including production technology and product development of new energy-saving oriented silicon steel (新型節能取向硅鋼製備技術及產品開發) and production technology of high strength, high ductility and corrosion resistant rails (高強高韌性耐磨軌生產技術), were filed with the Ministry of Finance of the PRC as technology innovation capability development projects.

(4) *New achievements in energy saving and emission reduction by strengthening energy management*

The Company strived to minimize energy consumption in production processes by strengthening energy management, further exploring its potentials based on defined objectives and implementing system optimization. Total energy consumption of the Company in the first half of the year decreased by 1.42% as compared with the same period of the previous year and consumption of new water per tonne in steel production decreased by 11.69% as compared with the same period of the previous year, both of which have achieved the best-ever results.

The Group implemented 13 new pollution control projects during the first half of the year, including the sintering flue gas desulphurization project and the rotary railcar dumpers construction and dust removal project at the district of Anshan and the heavy plates and wire rods (厚板線) water treatment system renovation project. These efforts fostered its environmental governance.

(5) *Further accomplishments in marketing and procurement based on market orientation principles*

In addition to strengthening marketing channels and management on target markets to expand its market share in the northern regions, the Company also strengthened the development of direct-supply relationship with enterprises and strategic product mix, implemented integration of production, sales and research, increased the proportion of products with high added value and high technology, promoted the concept of value-added service and enhanced customer satisfaction consistently. In the first half of 2010, sales of steel products with specified applications accounted for 85.17% of the sales of steel productions with commercial applications.

In the first half of 2010, the Group exported a total of 810,000 tonnes steel products, representing an increase of 640,000 tonnes as compared with the same period of the previous year. The export of steel products remained stable.

(6) *Smooth progress of technological improvement projects by strengthening project management*

Equipment installation for the overall wire rod renovation project is in the final stage. Single-unit adjustment and testing for equipment have commenced and testing on heat loading is expected to commence in September of 2010. The Group had achieved a steady progress on the projects including chemical tar capacity expansion, coal-based gas production and Phase IV coke oven renovation.

The Company also improved the management system for the existing production facilities capital investment projects and strengthened project control. As at the end of June, 12 out of the 183 technological improvement projects were of final accounts finalized and 163 were under development.

2. Products representing more than 10% of the operating revenue of the Group are as follows (in accordance with the PRC Accounting Standards):

Principal business of the Group by industry and products

Unit: RMB million

	Operating revenue	Operating cost	Gross profit margin	Increase/decrease in operating revenue compared with the same period of the previous year	Increase/decrease in operating cost compared with the same of the previous year	Increase/decrease in gross profit margin as compared with the same period of the previous year
			%	%	%	*(percentage points)*
Principal activities by industry						
Steel pressing and processing	43,937	37,059	15.65	46.34	27.96	12.11
Principal activities by products						
Hot-rolled products	12,080	10,342	14.39	0.01	(11.83)	11.50
Cold-rolled products	19,001	14,413	24.15	109.75	61.82	22.47
Medium and thick plates	7,609	7,353	3.36	96.31	108.54	(5.67)

Including: The connected transactions for sales of products and provision of labour services by the Company to its controlling shareholder and its subsidiaries amounted to RMB4,336 million in total during the reporting period.

Notes:

(1) The slight increase in operating revenue from hot-rolled products was primarily due to i) the increase in product prices; and ii) the decrease in sales volume of hot-rolled products due to the adjustment of product mix; the decrease in operating cost was primarily due to the decrease in sales volume of products; the increase in gross profit margin was primarily due to the increase in product prices.

(2) The increase in operating revenue from cold-rolled products was due to i) the increase in product prices; ii) the growth in sales volume of products; and iii) the consolidation of financial statements of Tianjin Angang Tian Tie Cold Rolled Sheets Company Limited into the Company's account; the increase in operating cost was due to i) the growth in sales volume of products; ii) the increase in prices of imported ore, alloy, scrap steel and raw fuels including coal; and iii) the consolidation of financial statements of Tianjin Angang Tian Tie Cold Rolled Sheets Company Limited into the Company's account; the increase in gross profit margin was primarily due to the increase in product prices.

(3) The increase in operating revenue from medium and thick plates was primarily due to the realization of production capacity of the thick plate production line of Bayuquan Branch, which resulted in the growth in production and sales volume; the increase in operating cost was due to i) the growth in sales volume of products; and ii) the increase in prices of imported ore, alloy, scrap steel and fuels including coal; the decrease in gross profit margin was primarily due to the fall in prices of welding and exported thick plate products.

Segmental information of principal business of the Group by geographical locations of sales

Unit: RMB million

	Operating revenue for the reporting period	Operating revenue for the same period of the previous year	Increase/ decrease in operating revenue compared with the same period of the previous year *(%)*
Northeast China	15,847	10,016	58.21
North China	6,378	4,864	31.14
East China	9,775	8,114	20.47
South China	6,537	4,976	31.37
Central south China	884	789	11.98
Northwest China	869	292	197.73
Southwest China	202	221	-8.45
Export sales	3,548	770	360.76
Total	44,040	30,042	46.59

3. Problems and difficulties in operation

In the first half of 2010, as the cost of steel materials increased as a result of the continual rise in prices of raw fuels used for iron and steel production, production and operation of iron and steel enterprises were under great pressure. Facing these adverse factors, the Company tapped its inherent potentials and strived for enhancement of economic benefits of the Company and market competitiveness of its products through measures including strengthening of internal control, reasonable resource allocation, enhancement of energy saving, emission reduction and cost control.

4. Investment of the Company

(1) Investment Projects not Funded by Proceeds and Progress thereof

Unit: RMB million

Project Name	**Project Budget Amount**	**Project Progress** *(%)*	**Project Proceeds**
Putian cold-rolling project	3,500	23	—
High-performance cold-rolling silicon steel production line	3,130	95	-1
Seamless ∮ 177 petroleum pipeline production line	817	90	-53
Wire production line renovation projects	776	59	—
Total	8,223	—	-54

5. No substantial change from the previous year in principal business and its structure.

6. Profitability (gross profit margin) of principal operations increased as compared with the previous year, mainly due to the increase in the prices of steel products.

7. No substantial change as compared with the previous year in profit composition.

8. Analysis of Financial Condition of the Group

Prepared in accordance with IFRSs (unaudited)

(1) Items of condensed consolidated income statement and condensed consolidated statement of cash flows

Unit: RMB million

Items	**For the six months ended 30 June 2010**	For the six months ended 30 June 2009	Percentage of increase/ (decrease) *(%)*
Turnover	**43,937**	30,023	46.34
Profit/(loss) before tax	**3,608**	(1,736)	307.83
Profit/(loss) attributable to the owners of the Company	**2,767**	(1,549)	278.63
Net increase in cash and cash equivalents	**(289)**	(1,328)	78.24

Notes:

(a) *The increase in turnover as compared with the same period of the previous year was mainly attributable to (i) the increase in product prices; (ii) the growth in sales volume of products.*

(b) *The significant increase in both profit before tax and profit attributable to the owners of the Company as compared with the same period of the previous year was mainly attributable to the growth in operating profit and profit attributable to the owners of the Company for the period as a result of the increased product prices and sales volume for the period, comparing with the decreased product prices and the operating loss of the Company under the global financial crisis in the same period of the previous year.*

(c) *Net increase in cash and cash equivalents increased as compared with the same period of the previous year, attributable to (i) the increase of RMB242 million in net cash inflow from operating activities as compared with the same period of the previous year as a result of increased net profit; (ii) the decrease of RMB1,310 million in net cash outflow in investing activities as compared with the pervious year as a result of the decrease in cash payments of acquisition and construction of property, plant and equipment and external investment; (iii) the decrease of RMB513 million in net cash inflow from financing activities as compared with the same period of the previous year as a result of the increased cash payments of loan repayment.*

(2) Items of condensed consolidated statement of financial position

Unit: RMB million

Item	As at 30 June 2010	As at 31 December 2009	Percentage of increase/ (decrease) *(%)*
Total assets	**105,814**	103,254	2.48
Total equity	**56,076**	53,785	4.26
Amounts due from fellow subsidiaries	**7,470**	5,547	34.67
Amounts due to fellow subsidiaries	**1,136**	2,104	(46.01)
Amounts due to jointly controlled eneities	**112**	373	(69.97)
Short-term debentures	**3,000**	—	—
Deferred income	**213**	74	187.84

Notes:

(a) *The increase in total assets and total equity as compared with the end of the previous year was attributable to the profit from operating activities.*

(b) *The increase in amounts due from fellow subsidiaries as compared with the end of the previous year was mainly attributable to the increase in exports settlement receivables and prepayment for imported raw fuel.*

(c) *The decrease in amounts due to fellow subsidiaries as compared with the end of the previous year was mainly attributable to the decrease in prepayment for steel products from fellow subsidiaries.*

(d) *The decrease in amounts due to jointly controlled entities as compared with the end of the previous year was mainly attributable to the decrease in prepayment for steel products from ANSC-TKS Galvanizing Co., Ltd.*

(e) *The increase in short-term debentures as compared with the end of the previous year was mainly attributable to the issue of RMB3,000 million short-term debentures by the Company for the period.*

(f) *The increase in deferred income as compared with the end of the previous year was attributable to the increase in government grants pertinent to assets received by the Company for the period.*

9. Business plan for the second half of the year

(1) To ensure a steady operation of overall production of the Company by strengthening the overall management and control continuously.

(2) To respond to the market flexibly by enhancing coordination between production and sales, making the best endeavors to procure contracts and export to secure the scale of production capacity.

(3) To step up optimization of product mix to ensure the production of high efficiency products at full capacity and the implementation and achieving target output of new projects.

(4) To control and avoid risks by focusing on the control over various material inventory.

(5) To substantially reduce consumptions by exerting greater efforts in benchmarking and tapping potentials.

(6) To advance the low-carbon operation by implementing emission reduction projects.

10. 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 as compared with the corresponding period of last year and the reason thereof

Results estimation	**Significant increase as compared with the same period of the previous year**		
	From the beginning of the year to the end of the next reporting period	**The same period of the previous year**	**Increase/decrease**
Estimated accumulated net profit *(RMB billion)*	2.3-2.9	0.33	Increased by 597-779%
Basic earnings per share *(RMB/share)*	0.318-0.401	0.046	Increased by 591-772%

Reason: Leveraging on the recovery of the steel market in the first half of 2010, the price of steel rose but it may drop in the third quarter. The Company improved the operating results of the Company by optimizing the product mix. It is expected that the Company will be able to maintain its profitability during the period from January to September 2010.

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

As at 30 June 2010, the Group had long-term loans of RMB15,347 million, which was mainly used for supplementation of liquidity and project capital. The loans are for a term of 3 to 25 years at an annual interest rate of 4.86% to 5.346%.

As at 30 June 2010, the Group had cash and cash equivalents of RMB1,953 million, compared with RMB2,242 million at the end of 2009.

As at 30 June 2010, the Group's total assets less current liabilities amounted to RMB71,701 million, as compared with RMB65,426 million at the end of 2009.

The equity attributable to owners of the Company amounted to RMB54,701 million as at 30 June 2010, as compared with RMB52,419 million at the end of 2009.

12. Pledged assets

No assets were pledged by the Group during the reporting period.

13. Commitments and contingent liabilities (in accordance with IFRSs)

As at 30 June 2010, the Group had capital commitment of RMB10,022 million, mainly comprising the construction and renovation projects which had been contracted for but not performed or performed partially or those which had been authorized but not yet contracted for and not performed or performed partially.

As at 30 June 2010, the Group had no contingent liabilities.

14. Equity to liabilities ratio (in accordance with IFRSs)

The ratio of total equity to total liabilities of the Group was 1.13 times as at 30 June 2010 and 1.09 times as at 31 December 2009.

15. Foreign exchange risk

The Group was not exposed to significant foreign currency risk arising from major transactions conducted through foreign currencies such as the export and sale of products, the import and procurement of raw materials for production and equipments for projects as these transactions were settled with export and import agents at locked exchange rates.

16. Employees

As at 30 June 2010, the Company had 30,296 employees, of whom 20,948 were production personnel, 274 were sales personnel, 2,698 were technicians, 280 were accounting personnel and 2,134 were administration personnel. Among the employees of the Company, 6,038 held bachelor or higher degrees, representing 19.9% of the total number of employees; 7,605 employees held diplomas, representing 25.1% of the total number of employees and 2,910 employees held the certificate of secondary education, representing 9.6% of the total number of employees.

The Company has adopted position-based and risk-based annual remuneration packages for senior management, position-based remuneration packages and profit share incentives for new product development for technical research personnel, sales/profit-linked remuneration package for sales personnel, and position-based remuneration packages for other personnel.

In the first half of 2010, 23,110 employees were arranged to attend and complete the centralized training course. Among them, 492 senior management members attended training for, among others, political theory knowledge, strategy management, and 3,538 management technology staff attended training for management knowledge, computer, English, expertise and studying in institutes and colleges; 2,893 production staff attended training for technical grades, computer, equipment inspection, security knowledge; 10,476 employees attended on-the-job training; 1,286 employees attended training for team and group management knowledge and 4,425 employees attended other trainings.

As a result of a series of trainings, the overall quality of employees had been improved, which guarantees a smooth implementation of production, operation and technological transformation for the Company.

VI. EXPLANATIONS ON SIGNIFICANT MATTERS

1. Corporate governance of the Company

In strict compliance with the Company Law, the Securities Law, the relevant requirements of CSRC, the Hong Kong 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 comprehensive corporate governance system and an effective internal control system.

Following the implementation of the Code on Corporate Governance Practices (the "Code") issued by the 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 provisions of the Code and most of the recommended best practices set out in the Code.

2. Proposals for proposed interim profit distribution and transfer from capital reserve to share capital of the Company

The Company will not declare any interim dividend nor transfer any capital reserves to the share capital of the Company for the six months ended 30 June 2010.

3. Implementation of profit distribution plan

On 18 June 2010, the Company convened its 2009 annual general meeting in Anshan, at which the 2009 profit distribution plan was considered and approved. A cash dividend of RMB0.6 per 10 shares was declared based on the total issued share capital of 7,234,807,847 shares as at 31 December 2009. On 30 June 2010, the Company distributed cash dividends to the holders of its H shares. The exchange rate adopted was HK$100 to RMB87.645, being the average of the basic exchange rates of Renminbi to Hong Kong dollar announced by the Bank of China one calendar week prior to the 2009 annual general meeting. The cash dividends actually paid to the holders of its H shares amounted to HK$74 million. On 30 June 2010, the Company distributed cash dividends to the holders of circulating A shares and state-owned shares in the total amount of RMB369 million. The cash dividends for 2009 distributed by the Company amounted to RMB434 million in total.

4. Material litigation and arbitration

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

5. Material acquisition, sale or disposal of assets

During the reporting period, the Company had no material assets acquisition, disposal and reorganization.

6. Material connected transactions of the Company in the reporting period

(1) Continuing connected transactions

During the reporting period, the Group purchased most of its raw materials, energy and services necessary for production from Angang Holding and its subsidiaries ("Angang Holding Group"), and sold to Angang Holding Group some of its products. The transactions and prices were implemented in accordance with the supply of materials and services agreements entered into between the parties.

a. Angang Holding Group provided the Group with the following major items:

Items	Pricing principle	Price *(RMB)*	Amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*
Iron concentrate	Not higher than the average import price of domestic iron concentrate 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 the Company in the preceding half year before adjustment. For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/tonne.	663/tonne	2,619	45.07

Items	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)
	Angang Holding has undertaken to provide a discount equal to 5% of the average import price of domestic iron concentrate reported to the PRC customs in the preceding half-year reporting period on the highest amount of the price determined.			
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 of increase or decrease in the grade of pellets, the price will be increased or decreased by RMB10/tonne.	873/tonne	2,546	99.87

Items	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)
Sinter ore	The price of iron concentrate plus processing cost in the preceding half-year reporting period and 10% gross profit margin. (The processing cost of which is not higher than that of similar products produced by the Company)	858/tonne	1,146	100.00
Scrap steel	Market prices	–	139	19.82
Billets	Market prices	–	13	100.00
Subtotal	–	–	6,463	63.24
Electricity	State price	0.52/kWh	868	31.13
Water	State price	3.25/tonne	41	51.91
Steam	Production cost plus a gross profit margin of 5%	38.34/GJ	19	85.97
Subtotal	–	–	928	32.12

Items	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)
Lime stone	Not higher than the selling prices quoted by the relevant member company of Angang Holding Group to the independent third parties	53/tonne	81	60.63
Lime powder		358/tonne	394	67.52
Refractory materials		–	24	3.14
Other ancillary materials		–	78	2.44
Spare parts		–	122	6.47
Subtotal	–	–	699	10.68
Total	–	–	8,090	41.17

b. Angang Holding Group provided the Group with the following major services:

Items	Pricing principle	Amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*
Railway transportation	State price	336	55.34
Road transportation	Market prices	184	80.25
Agency services: – Import of raw materials, equipment, components and auxiliary materials – Product export – Domestic sales of product	Commission not higher than 1.5% (not more than the commissions levied by major state import and export companies of China)	223	100.00
Repair and maintenance of equipment	Market prices	530	76.49
Design and engineering services		338	37.78
Education facilities, vocational education, on-the-job training, translation services		0.5	11.77
Company vehicle services		0.5	100.00
Charge for arrangement of business and meeting expenses		1	58.74

Items	Pricing principle	Amount (RMB million)	As a percentage of the amount of similar transactions (%)
Greening services	Expenses of labour, materials and management were paid based on market prices	8	100.00
Security services		29	84.27
Telecommunication business and services, information system	State price or depreciation plus maintenance costs	13	71.77
Environmental protection and security inspection services	State price	1	81.09
Production coordination and maintenance	Expenses of labour, materials and management were paid based on market prices	578	81.91
Welfare assistance and maintenance		69	83.18
Total	–	2,311	65.71
Interest on fund for settlement	State price	5	37.34
Loans and discounted interest	State price	203	28.56

Note: *In which, for the six months ended 30 June 2010, the steel products provided by Angang Trade as a domestic and overseas agent amounted to 3,060,000 and 810,000 tonnes respectively.*

c. The Group provided Angang Holding Group with the following major items:

Items	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)
Cold rolled sheets	The selling price offered by the Group to 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 gross profit margin of related products provided by relevant member company.	5,470/tonne	2,233	12.58
Heavy plates		3,471/tonne	349	5.81
Wire rods		3,639/tonne	78	5.26
Heavy section		4,950/tonne	2	0.09
Hot rolled sheets		3,514/tonne	1,008	8.34
Medium plates		3,723/tonne	81	5.06
Galvanized steel sheets		4,454/tonne	226	6.06
Colour coated sheets		5,076/tonne	4	2.20
Seamless pipes		4,011/tonne	20	4.18
Molten iron		2,255/tonne	2	100.00
Steel ring		3,275/tonne	3	7.49
Coke		890/tonne	37	100.00
Chemical by-products		–	13	1.55
Sub-total		–	4,056	8.84
Scrap steel	Market prices	–	52	100.00
Abandoned materials		–	6	64.79
Sub-total		–	58	78.53
Total		–	4,114	8.95

d. The Group provided Angang Holding Group with the following comprehensive services:

Items	Pricing principle	Price *(RMB)*	Amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*
New water	State price	2.94/tonne	21	94.61
Clean recycled water	Production cost plus a gross profit margin of 5%	0.74/tonne	11	99.98
Soft water		2.84/tonne	0.2	100.00
Gas		43.62/GJ	134	79.70
Blast furnace gas		4.00/GJ	19	99.99
Steam		39.50/GJ	20	91.58
Nitrogen		179.13/KM^3	0.7	9.75
Oxygen		408.23/KM^3	2	13.09
Argon		438.75/KM^3	0.4	8.85
Compressed air		89.50/KM^3	0.7	100.00
Used hot water		5.57/GJ	11	80.29
Product testing service	Market prices	–	1.7	81.38
Transportation service		–	0.3	100.00
Total	–	–	222	34.71

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

7. Claims and obligations between related parties and the Company

There were no claims or obligations between the Company and the related parties for non-operating purpose during the reporting period.

As at 30 June 2010, the Company's bank loan of RMB2,000 million was secured by Angang Holding.

8. Material contracts and their performance

(1) The Company did not enter into custody, contracting or lease arrangement in respect of the assets of other companies nor did other companies enter into any custody, contracting or lease arrangement in respect of the assets of the Company during the reporting period;

(2) There was no material guarantee which involved the Company during the reporting period;

(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 for financial management during the reporting period.

9. Opinions of independent Directors in relation to cumulative and current external guarantees and capital occupied by the controlling shareholders and other related parties:

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 CSRC, we have faithfully and carefully reviewed and finalized the external guarantee of Angang Steel Company Limited* (hereafter as the "Company") and flow of funds between the Company and its related parties, and hereby make the following explanations:

(1) During the reporting period, the Company did not provide any external guarantee to its controlling shareholders and other related parties, any legal person entities or individuals.

(2) During the reporting period, none of the controlling shareholders and other related parties had occupied the Company's capital.

(3) In strict compliance with relevant regulations, the Company has clearly specified the relevant procedures and requirements concerning external guarantee in the Articles of Association of the Company. The Company also formulated Administrative Procedures of External Guarantee so as to strengthen the management of the external guarantee. The regulations of the Articles of Association of the Company and Administrative Procedures of External Guarantee are in compliance with the requirements of the relevant domestic and foreign regulations.

10. Undertakings of the Controlling Shareholder

(1) Angang Holding, the controlling shareholder of the Company, made the minimum undertakings required under the relevant laws, rules and regulations, during the period of the Non-tradable Shares Reform.

In addition to the required minimum undertakings, Angang Holding has made the following special 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 except for the shares to be transferred to any holders 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 subject to the approval of the general meeting and regulatory authorities, it is undertaken by Angang Holding that 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.

3) Angang Holding will maintain a minimum of 60% shareholding in the Company since the completion of the above acquisition till 31 December 2010.

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

5) Angang Holding will complete the formalities for the deposit of the relevant shares of the Company held by it as compensation for implementation of the consideration arrangement with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch to ensure fulfillment of its obligations under the consideration arrangement.

6) Angang Holding will be responsible for all the costs arising from the implementation of the Non-tradable Shares Reform.

Angang Holding further states that:

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

During the reporting period, there is no breach of such undertakings made by Angang Holding.

(2) On 27 October 2009, the Company and Angang Holding entered into the Supply of Materials and Services Agreement (2010-2011), pursuant to which, Basic 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 the year before adjustment ("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 in the first half of the year. Price adjustment for every 1% of increase or decrease in iron concentrate grade is RMB10/tonne." Angang Holding made the undertaking on 4 December 2009 to give a discount of 5% of Average Import Price to the maximum price which was confirmed according to the Basic Price. The validity of such undertaking shall be consistent with the Supply of Materials and Services Agreement (2010-2011).

During the reporting period, there was no breach of such undertakings by the undertaker.

11. Purchase, sale or redemption of the Company's listed securities

During the six months ended 30 June 2010, there was no re-purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries.

12. Directors' Securities transactions

The Company has adopted a code of conduct governing Director's dealings in the Company's securities transactions (the "Code of Directors' Securities Dealings") on terms no less exacting than the standards required under the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules. Upon specific enquiries, all Directors confirmed that they had complied with the provision of the Code of Directors' Securities Dealings during the six months ended 30 June 2010.

13. Audit Committee

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Hong Kong Listing Rules.

The Audit Committee and the management personnel have reviewed the accounting standards, principles and methods adopted by the Company, and considered matters regarding auditing, internal control and financial reporting, including the unaudited interim report for the six months ended 30 June 2010.

14. Shareholding in other listed companies

Stock Exchange	Stock Code	Stock abbreviation	Initial investment amount *(RMB million)*	Shareholding in that company	Book value at the end of the period *(RMB million)*	(Loss)/profit during the reporting period	Change in equity of holders during the reporting period
Shanghai Stock Exchange	600961	Zhuzhou Smelter Group (株冶集團)	81	1.9%	93	0	-51

VII. INTERIM FINANCIAL REPORT (UNAUDITED)

A. Prepared in accordance with International Financial Reporting Standards

Condensed consolidated income statement

For the six months ended 30 June 2010
(Expressed in Renminbi)

	Note	Six months ended 30 June 2010 RMB million (unaudited)	2009 RMB million (unaudited) (restated)
Turnover	4	**43,937**	30,023
Cost of sales		**(38,270)**	(30,239)
Sales related taxes		**(132)**	(72)
Gross profit/(loss)		**5,535**	(288)
Other operating profit, net		**42**	81
Distribution and other operating expenses		**(767)**	(434)
Administrative expenses		**(837)**	(738)
Profit/(loss) from operations		**3,973**	(1,379)
Finance costs		**(618)**	(343)
Share of profits less losses of jointly controlled entities		**209**	2
Share of profits less losses of associates		**44**	(16)

Condensed consolidated income statement *(Continued)*

For the six months ended 30 June 2010

(Expressed in Renminbi)

		Six months ended 30 June	
		2010	2009
	Note	***RMB million***	*RMB million*
		(unaudited)	(unaudited)
			(restated)
Profit/(loss) before tax		**3,608**	(1,736)
Income tax (expense)/credit	5	**(832)**	187
Profit/(loss) for the period	6	**2,776**	(1,549)
Attributable to:			
Owners of the Company		**2,767**	(1,549)
Non-controlling interests		**9**	—
		2,776	(1,549)
Earnings/(loss) per share	8		
Basic		**RMB0.382**	RMB(0.214)

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2010

(Expressed in Renminbi)

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
	(unaudited)	(unaudited)
		(restated)
Profit/(loss) for the period	**2,776**	(1,549)
Other comprehensive income:		
Fair value change on other investments	**(68)**	89
Income tax relating to components of other comprehensive income	**17**	(22)
Other comprehensive income for the period, net of tax	**(51)**	67
Total comprehensive income for the period	**2,725**	(1,482)
Attributable to:		
Owners of the Company	**2,716**	(1,482)
Non-controlling interests	**9**	—
	2,725	(1,482)

Condensed consolidated statement of financial position at 30 June 2010

(Expressed in Renminbi)

	Note	**At 30 June 2010 *RMB million* (unaudited)**	At 31 December 2009 *RMB million* (audited) (restated)
Non-current assets			
Property, plant and equipment	9	**61,336**	60,853
Intangible assets		**11**	13
Construction in progress	10	**10,243**	12,922
Interests in jointly controlled entities		**1,126**	934
Interests in associates		**435**	465
Other investments		**348**	391
Deferred tax assets		**947**	1,038
		74,446	76,616

Condensed consolidated statement of financial position at 30 June 2010 *(Continued)*

(Expressed in Renminbi)

	Note	**At 30 June 2010 *RMB million* (unaudited)**	At 31 December 2009 *RMB million* (audited) (restated)
Current assets			
Inventories		**13,624**	10,658
Amount due from ultimate parent	17	**1**	2
Amounts due from fellow subsidiaries	17	**7,470**	5,547
Amounts due from jointly controlled entities	17	**111**	98
Amount due from an associate	17	**—**	1
Trade receivables	11	**4,238**	4,145
Prepayments, deposits and other receivables		**3,964**	3,742
Current tax assets		**7**	203
Cash and cash equivalents	12	**1,953**	2,242
		31,368	26,638

Condensed consolidated statement of financial position at 30 June 2010 *(Continued)*

(Expressed in Renminbi)

	Note	**At 30 June 2010 *RMB million* (unaudited)**	At 31 December 2009 *RMB million* (audited) (restated)
Current liabilities			
Trade payables	13	**7,231**	6,744
Amount due to ultimate parent	17	**217**	202
Amounts due to fellow subsidiaries	17	**1,136**	2,104
Amounts due to jointly controlled entities	17	**112**	373
Amounts due to associates	17	**12**	11
Deferred income		**37**	42
Other payables		**6,361**	6,989
Current tax payables		**109**	—
Current portion of bank loans	14	**15,898**	21,363
Short-term debentures	15	**3,000**	—
		34,113	37,828
Net current liabilities		**(2,745)**	(11,190)
Total assets less current liabilities carried forward		**71,701**	65,426

Condensed consolidated statement of financial position at 30 June 2010 *(Continued)*

(Expressed in Renminbi)

	Note	**At 30 June 2010 *RMB million* (unaudited)**	At 31 December 2009 *RMB million* (audited) (restated)
Total assets less current liabilities brought forward		**71,701**	65,426
Non-current liabilities			
Bank loans	14	**15,347**	11,502
Provisions		**65**	65
Deferred income		**213**	74
		15,625	11,641
NET ASSETS		**56,076**	53,785

Condensed consolidated statement of financial position at 30 June 2010 *(Continued)*

(Expressed in Renminbi)

	Note	At 30 June 2010 RMB million (unaudited)	At 31 December 2009 RMB million (audited) (restated)
Capital and reserves			
Share capital		**7,235**	7,235
Share premium		**31,414**	31,414
Reserves		**3,433**	3,467
Retained profits		**12,619**	10,303
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**54,701**	52,419
Non-controlling interests		**1,375**	1,366
TOTAL EQUITY		**56,076**	53,785

Approved and authorised for issue by the board of directors on 17 August 2010.

Zhang Xiaogang
Chairman

Fu Jihui
Director

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2010

(Expressed in Renminbi)

		(unaudited)						
		Attributable to owners of the Company						
		Share capital	Share premium	Reserves	Retained profits	Total	Non-controlling interests	Total equity
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2009, as previously reported		7,235	31,414	3,107	11,215	52,971	–	52,971
Effect of change of accounting policy *(note 2)*		–	–	167	(35)	132	–	132
At 1 January 2009, as restated		7,235	31,414	3,274	11,180	53,103	–	53,103
Total comprehensive income for the period		–	–	67	(1,549)	(1,482)	–	(1,482)
Transfer		–	–	19	(19)	–	–	–
Final dividends – 2008	7	–	–	–	(1,519)	(1,519)	–	(1,519)
Changes in equity for the period		–	–	86	(3,087)	(3,001)	–	(3,001)
At 30 June 2009		7,235	31,414	3,360	8,093	50,102	–	50,102

Condensed consolidated statement of changes in equity *(Continued)*

For the six months ended 30 June 2010

(Expressed in Renminbi)

		(unaudited)						
		Attributable to owners of the Company						
		Share capital	Share premium	Reserves	Retained profits	Total	Non-controlling interests	Total equity
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2010, as previously reported		7,235	31,414	3,300	10,342	52,291	1,366	53,657
Effect of change of accounting policy *(note 2)*		–	–	167	(39)	128	–	128
At 1 January 2010, as restated		7,235	31,414	3,467	10,303	52,419	1,366	53,785
Total comprehensive income for the period		–	–	(51)	2,767	2,716	9	2,725
Transfer		–	–	17	(17)	–	–	–
Final dividends – 2009	7	–	–	–	(434)	(434)	–	(434)
Changes in equity for the period		–	–	(34)	2,316	2,282	9	2,291
At 30 June 2010		7,235	31,414	3,433	12,619	54,701	1,375	56,076

Condensed consolidated statement of cash flows

For the six months ended 30 June 2010

(Expressed in Renminbi)

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**870**	628
Net cash used in investing activities	**(2,107)**	(3,417)
Net cash generated from financing activities	**948**	1,461
Net decrease in cash and cash equivalents	**(289)**	(1,328)
Cash and cash equivalents at 1 January	**2,242**	2,974
Cash and cash equivalents at 30 June	**1,953**	1,646

Notes on the interim financial report

For the six months ended 30 June 2010

(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 International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 subsidiaries (the "Group") since the 2009 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 International Financial Reporting Standards ("IFRS"), IAS and related interpretations.

2. Adoption of new and revised International Financial Reporting Standards

In the current period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

Classification of Land Leases

The adoption of the amendment to IAS 17 "Leases" has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, leasehold land was classified as an operating lease and stated at cost less accumulated amortisation. In accordance with the amendment, leasehold land is classified as a finance lease and stated at cost less accumulated depreciation if substantially all risks and rewards of the leasehold land have been transferred to the Group. As the present value of the minimum lease payments (i.e. the transaction price) of the land held by the Group amounted to substantially all of the fair value of the land as if it were freehold, the leasehold land of the Group has been classified as a finance lease. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases.

2. Adoption of new and revised International Financial Reporting Standards *(Continued)*

The amendment to IAS 17 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial report as follows:

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
Increase in administrative expenses	**2**	2

	At 30 June 2010	At 31 December 2009
	RMB million	*RMB million*
Increase in property, plant and equipment	**7,014**	7,046
Decrease in lease prepayments	**(6,845)**	(6,875)
Decrease in deferred tax assets	**(43)**	(43)
Increase in reserves	**167**	167
Decrease in retained profits	**(41)**	(39)

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 positions.

3. Segment information

	RMB million
Six months ended 30 June 2010:	
Revenue from external customers (unaudited)	**43,937**
Segment profit (unaudited)	**2,775**
At 30 June 2010:	
Segment assets (unaudited)	**96,937**
Six months ended 30 June 2009:	
Revenue from external customers (unaudited)	30,023
Segment loss (unaudited) (restated)	(1,549)
At 31 December 2009:	
Segment assets (audited) (restated)	96,177

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
	(unaudited)	(unaudited)
		(restated)
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	**2,775**	(1,549)
Unallocated amounts:		
Dividend income	**1**	—
Consolidated profit/(loss) for the period	**2,776**	(1,549)

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. Income tax expense/(credit)

Income tax expense/(credit) in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Current tax expense - PRC income tax	**724**	3
Deferred tax expense/(income)	**108**	(190)
	832	(187)

The provision for PRC income tax is based on a statutory rate of 25% (six months ended 30 June 2009: 25%) of the estimated assessable profits of the Group entities for the period as determined in accordance with relevant income tax rules and regulations in the PRC.

6. Profit/(loss) for the period

The Group's profit/(loss) for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
	(unaudited)	(unaudited)
		(restated)
Interest and other borrowing costs	**866**	791
Less: Amount capitalised as construction in progress	**(270)**	(450)
Net interest expenses	**596**	341
Interest income	**(13)**	(4)
Dividend income from other investments	**(1)**	—
Amortisation of intangible assets	**2**	2
Depreciation	**3,564**	3,000
Loss/(gain) on disposals of property, plant and equipment	**5**	(15)
Impairment losses of property, plant and equipment	**2**	—
Net allowance for inventories	**383**	612
Research and development costs	**11**	3

7. Dividends

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Final dividends in respect of the financial year ended 31 December 2009, approved and paid during the following interim period, of RMB0.06 per share (year ended 31 December 2008 approved and paid: RMB0.21 per share)	**434**	1,519

The final dividends attributable to A share shareholders and H share shareholders amounting to RMB369 million (six months ended 30 June 2009: RMB1,291 million) and RMB65 million (six months ended 30 June 2009: RMB228 million) respectively were paid on 30 June 2010.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: RMBNil).

8. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company for the period of RMB2,767 million (six months ended 30 June 2009: loss attributable to owners of the Company for the period of RMB1,549 million (restated)) and the weighted average number of shares of 7,235 million in issue during the six months ended 30 June 2010 (six months ended 30 June 2009: 7,235 million).

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share are presented as the Company did not have any potential equity shares in existence during the six months ended 30 June 2009 and 2010.

9. Property, plant and equipment

During the six months ended 30 June 2010, the Group acquired property, plant and equipment of approximately RMB52 million.

10. Construction in progress

The acquisitions and transfer of items of construction in progress during the six months ended 30 June 2009 and 2010 are as follows:

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Additions	**1,359**	3,484
Transfer to property, plant and equipment	**(4,014)**	(9,532)

11. Trade receivables

	At 30 June 2010	At 31 December 2009
	RMB million	*RMB million*
	(unaudited)	(audited)
Accounts receivable	**1,204**	749
Bills receivable	**3,034**	3,396
	4,238	4,145

11. Trade receivables *(Continued)*

The ageing analysis of trade receivables is as follows:

	At 30 June 2010 ***RMB million*** **(unaudited)**	At 31 December 2009 *RMB million* (audited)
Less than 3 months	**3,621**	3,465
More than 3 months but less than 12 months	**609**	674
More than 1 year	**8**	6
	4,238	4,145

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

12. Cash and cash equivalents

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

As at 30 June 2010, a deposit of RMB482 million (31 December 2009: RMB1,288 million) was placed by the Group in Angang Group Financial Company Limited ("Angang Finance"), an associate and a fellow subsidiary of the Group.

13. Trade payables

	At 30 June 2010 *RMB million* (unaudited)	At 31 December 2009 *RMB million* (audited)
Accounts payable	**3,849**	3,235
Bills payable	**3,382**	3,509
	7,231	6,744

The ageing analysis of trade payables is as follows:

	At 30 June 2010 *RMB million* (unaudited)	At 31 December 2009 *RMB million* (audited)
Due on demand	**145**	237
Due within 3 months	**5,238**	4,133
Due after 3 months but within 6 months	**1,834**	2,020
Due after 6 months but within 1 year	**13**	344
Due after 1 year but within 2 years	**1**	10
	7,231	6,744

14. Bank loans

	At 30 June 2010 RMB million (unaudited)	At 31 December 2009 RMB million (audited)
Bank loans	**31,245**	32,865
Less: Bank loans due within one year classified as current liabilities	**(15,898)**	(21,363)
	15,347	11,502

Among the bank loans of the Group as at 30 June 2010, RMB2,000 million (31 December 2009: RMB1,000 million) was guaranteed by Anshan Iron and Steel Group Complex ("Angang Holding"), the ultimate parent of the Company and RMB3,885 million (31 December 2009: RMB3,505 million) was guaranteed by 天津天鐵冶金集團有限公司 (Tianjin Tian Tie Metallurgy Holding Limited) ("Tiantie Holding"), a non-controlling shareholder of a subsidiary of the Group and one of Tiantie Holding's subsidiaries.

As at 30 June 2010, loans from Angang Finance amounted to RMB8,600 million (31 December 2009: RMB9,600 million).

15. Short-term debentures

During the period, the Group issued short-term debentures with an aggregate principal amount of RMB3,000 million ("Debentures") in the PRC inter-bank debenture market. The interest rate of the Debentures is 2.84% per annum and the term of maturity is 365 days.

16. Commitments

The Group had capital commitments outstanding as at 30 June 2010 not provided for as follows:

	At 30 June 2010 *RMB million* **(unaudited)**	At 31 December 2009 *RMB million* (audited)
Authorised and contracted for:		
— Construction projects of production lines	**3,891**	2,764
— Investment in a subsidiary to be set up	**318**	318
Authorised but not contracted for:		
— Construction and improvement projects of production lines	**5,813**	—
	10,022	3,082

17. Related party transactions

The following is a summary of significant transactions carried out between the Group and Angang Holding and its subsidiaries other than the Group (collectively referred to as "Angang Holding Group"), the jointly controlled entities and associates during the period.

17. Related party transactions *(Continued)*

(A) Significant transactions and balances with Angang Holding Group

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

		Six months ended 30 June	
		2010	2009
	Note	***RMB million***	*RMB million*
		(unaudited)	(unaudited)
Sales of finished goods (before deducting sales related taxes)	(a)	**4,056**	1,968
Sales of scrap materials and minus sieve powder (before deducting sales related taxes)	(a)	**58**	77
Fee received for utilities and services provided	(b)	**222**	269
Purchase of raw materials	(c)	**6,463**	8,011
Purchase of ancillary materials and spare parts	(d)	**699**	738
Utility supplies	(e)	**928**	979
Fees paid for welfare and other support services	(f)	**2,311**	2,715
Purchase of assets	(g)	**68**	85
Interest received	(h)	**5**	4
Interest paid	(h)	**203**	123

17. Related party transactions *(Continued)*

(A) Significant transactions and balances with Angang Holding Group *(Continued)*

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

Note:

(a) The Group sold finished products and scrap materials to Angang Holding Group mainly at selling prices based on the prices charged to independent customers. Steel products sold to Angang Holding Group for their development of new products were set at market prices, or production cost plus reasonable profit margin if no market prices were available.

The Group sold minus sieve powder to Angang Holding Group at prices for sinter ore less the costs of producing the same by Angang Holding Group.

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

(c) The Group purchased its principal raw material, from Angang Holding 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 Group for importing principal raw materials of similar quality in the previous interim period ("Quoted Prices") plus freight charges, price adjustments for the quality and 5% discount on the Quoted Prices, or the average purchase prices charged by independent suppliers plus price adjustments for the quality, or raw materials price plus 10% mark up of the last semi-annual processing costs or market prices.

17. Related party transactions *(Continued)*

(A) Significant transactions and balances with Angang Holding Group *(Continued)*

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

Note: (Continued)

(d) The Group purchased ancillary materials and spare parts from Angang Holding Group at selling prices no higher than the average prices of such materials quoted by Angang Holding Group to independent customers.

(e) The Group purchased utility supplies from Angang Holding Group mainly at State prices or production cost plus 5%.

(f) Angang Holding Group provided certain supporting services to the Group. 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; examination, repair and maintenance of equipment; design and engineering services; and other employees' supporting related services. Service fees were charged at applicable State prices, market prices, no higher than 1.5% of commission, depreciation and repair and maintenance, labour cost, material cost and management fee, and no higher than 5% mark up of processing costs.

(g) The Group purchased certain assets from Angang Holding Group at prices based on the market price.

17. Related party transactions *(Continued)*

(A) Significant transactions and balances with Angang Holding Group *(Continued)*

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

Note: (Continued)

(h) Angang Holding Group provided financial services in the form of deposit taking, settlement, borrowing and discounting services at State prices. The applicable borrowing rates are 10% lower of the interest rates quoted by The People's Bank of China.

As at 30 June 2010, the Group placed deposit with Angang Finance amounted to RMB482 million (31 December 2009: RMB1,288 million) and the loans from Angang Finance amounted to RMB8,600 million (31 December 2009: RMB9,600 million).

(ii) Bank loans

As at 30 June 2010, certain bank loans amounted to RMB2,000 million (31 December 2009: RMB1,000 million) were guaranteed by Angang Holding.

(iii) Amount due from/to ultimate parent

Amount due from/to ultimate parent mainly represents fee receivables for utilities and services provided and fees payable for support services.

The amount due from/to ultimate parent is unsecured, interest free and has no fixed terms of repayment.

17. Related party transactions *(Continued)*

(A) Significant transactions and balances with Angang Holding Group *(Continued)*

(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 Group 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) Supply of Materials and Services Agreement

The Company entered into a Supply of Materials and Services Agreement 2010/11 with Angang Holding on 27 October 2009, which is effective on 1 January 2010 for 2 years.

17. Related party transactions *(Continued)*

(B) Significant transactions and balances with other related parties

(1) Significant transactions with ANSC-TKS Galvanizing Co., Ltd. ("ANSC-TKS")

The Group sold finished products to ANSC-TKS amounting to RMB1,839 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB548 million) for further processing.

(2) Significant transactions with Changchun FAM Steel Processing and Distribution Company Limited ("Changchun FAM")

The Group sold finished products to Changchun FAM amounting to RMB48 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB34 million) for further processing.

(3) Significant transactions with TKAS (Changchun) Steel Service Center Ltd. ("TKAS-SSC")

The Group sold finished products to TKAS-SSC amounting to RMB221 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB125 million) for further processing.

The Group paid agency fee for the agency services provided by TKAS-SSC for domestic sales of products amounting to RMB3 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB Nil).

17. Related party transactions *(Continued)*

(B) Significant transactions and balances with other related parties *(Continued)*

(4) Significant transactions with TKAS (Changchun) Tailored Blanks Ltd. ("TKAS")

The Group sold finished products to TKAS amounting to RMB1 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB1 million) for further processing.

(5) Significant transactions with Tianjin Tiantie Ban Hai Metallurgy Enterprise Company Limited ("Ban Hai Enterprise")

The Group sold scrap steel to Ban Hai Enterprise amounting to RMB30 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMBNil).

The Group paid services fee for the service provided by Ban Hai Enterprise amounting to RMB55 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMBNil).

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

17. Related party transactions *(Continued)*

(B) Significant transactions and balances with other related parties *(Continued)*

(6) Amounts due from/to jointly controlled entities and associates

Amounts due from/to jointly controlled entities and associates mainly represent the amounts receivables/receipts in advance by the Group in respect of sales of finished goods and payables for the construction fee and services fee.

The amounts due from/to jointly controlled entities and associates are unsecured, interest free and have no fixed terms of repayment.

(7) 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	
	2010	2009
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Directors' and supervisors' fees	**–**	–
Salaries, allowance and other benefits in kind	**1.08**	0.80
Retirement scheme contributions	**0.18**	0.13
	1.26	0.93

CONSOLIDATED BALANCE SHEET

As at 30 June 2010

Prepared by: Angang Steel Company Limited

Monetary *unit: RMB million*

Assets	*Note*	**30 June 2010**	31 December 2009
Current assets:			
Cash at banks and on hand	7(1)	**1,953**	2,242
Trading financial assets			
Bills receivable	7(2)	**3,034**	3,396
Accounts receivable	7(3)	**3,109**	1,770
Prepayments	7(6)	**7,641**	6,212
Interest receivable			
Dividend receivables	7(4)	**7**	
Other receivables	7(5)	**18**	19
Inventories	7(7)	**13,624**	10,658
Non-current assets due within 1 year			
Other current assets			
Total current assets		**29,386**	24,297
Non-current assets:			
Available-for-sale financial assets	7(8)	**93**	161
Long-term equity investments	7(10)	**1,816**	1,629
Investment real estate			
Fixed assets	7(11)	**54,304**	53,805
Construction in progress	7(12)	**8,559**	10,588
Construction material	7(13)	**1,684**	2,334
Intangible assets	7(14)	**7,043**	7,061
Deferred income tax assets	7(15)	**1,004**	1,112
Other non-current assets			
Total non-current assets		**74,503**	76,690
Total assets		**103,889**	100,987

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

As at 30 June 2010

Prepared by: Angang Steel Company Limited

Monetary *unit: RMB million*

Liabilities and shareholders' equity	*Note*	**30 June 2010**	31 December 2009
Current liabilities:			
Short-term loans	7(17)	**11,595**	13,710
Bills payable	7(18)	**3,382**	3,509
Accounts payable	7(19)	**4,005**	3,318
Advances from customers	7(20)	**4,432**	5,942
Employee benefits payable	7(21)	**380**	326
Tax and surcharges payable	7(22)	**(1,826)**	(2,296)
Interest payables	7(23)	**36**	
Other payables	7(24)	**2,787**	3,283
Non-current liabilities due within 1 year	7(25)	**4,303**	7,653
Other current liabilities	7(26)	**3,037**	42
Total current liabilities		**32,131**	35,487
Non-current liabilities:			
Long-term loans	7(27)	**15,347**	11,502
Deferred income tax liabilities	7(15)	**44**	61
Other non-current liabilities	7(28)	**278**	139
Total non-current liabilities		**15,669**	11,702
Total liabilities		**47,800**	47,189

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

As at 30 June 2010

Prepared by: Angang Steel Company Limited

Monetary *unit: RMB million*

Liabilities and shareholders' equity	*Note*	**30 June 2010**	31 December 2009
Shareholders' equity:			
Share capital	7(29)	**7,235**	7,235
Capital reserve	7(30)	**31,459**	31,510
Special reserve	7(31)	**67**	50
Surplus reserve	7(32)	**3,357**	3,357
Undistributed profit	7(33)	**12,596**	10,280
Differences from translation of foreign currency			
Subtotal of shareholders' equity attributable to parent company		**54,714**	52,432
Minority interest		**1,375**	1,366
Total shareholders' equity		**56,089**	53,798
Total liabilities and shareholders' equity		**103,889**	100,987

Legal representative:	*Chief Accountant:*	*Controller:*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited

Monetary *unit: RMB million*

Items	Note	Six months ended 30 June 2010	2009
1. Operating income		**44,040**	30,042
Including: Operating income from main business	7(34)	**44,040**	30,042
2. Operating costs		**40,712**	31,839
Including: Operating costs for main business	7(34)	**37,182**	28,982
Business tax and surcharges	7(35)	**132**	72
Selling expenses		**767**	434
Administrative expenses		**1,677**	1,418
Financial expenses		**569**	321
Impairment losses on assets	7(37)	**385**	612
Add: gains/losses from fair value variation ("-" means loss)			
Investment income ("-" means loss)	7(36)	**254**	(14)
Including: Income from investment in jointly controlled enterprises and associates		**253**	(14)
3. Operating profit ("-" means loss)		**3,582**	(1,811)
Add: Non-operating income	7(38)	**27**	69
Less: Non-operating expenses	7(39)	**18**	13
Including: Loss on non-current assets disposal		**18**	13
4. Profit before income tax ("-" means loss)		**3,591**	(1,755)
Less: Income tax expenses	7(40)	**832**	(192)

CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited — Monetary *unit: RMB million*

Items	*Note*	Six months ended 30 June **2010**	2009
5. Net profit for the year ("-" means net loss)		**2,759**	(1,563)
Net profit attributable to shareholder of parent company		**2,750**	(1,563)
Gains/losses attributable to minority shareholder		**9**	
6. Earning per share			
(1) Basic earnings per share	7(41)	**0.380**	(0.216)
(2) Diluted earnings per share	7(41)	**0.380**	(0.216)
7. Other comprehensive income	7(42)	**(51)**	67
8. Total comprehensive income		**2,708**	(1,496)
Share of total comprehensive income attributable to shareholder of parent company		**2,699**	(1,496)
Share of total comprehensive income attributable to minority interest		**9**	

Legal representative: **Zhang Xiaogang** — *Chief Accountant:* **Ma Lianyong** — *Controller:* **Ma Lianyong**

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited

Monetary *unit: RMB million*

Items	*Note*	Six months ended 30 Jun. 2010	2009
1. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		**42,626**	33,776
Refund of tax and fare received			11
Other cash received relating to operating activities		**100**	6
Sub-total of cash inflows		**42,726**	33,793
Cash paid for goods and services		**37,602**	29,680
Cash paid to and on behalf of employees		**1,355**	1,237
Cash paid for all types of taxes		**1,654**	1,196
Other cash paid relating to operating activities		**442**	265
Sub-total of cash outflows		**41,053**	32,378
Net cash flow from operating activities	7(43)	**1,673**	1,415

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited — Monetary *unit: RMB million*

Items	*Note*	Six months ended 30 Jun. **2010**	2009
2. Cash flows from investing activities			
Cash received from return of investments			
Cash received from investment income		**66**	36
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**4**	21
Net cash received from the disposal of subsidiaries and other operating units			
Other cash received relating to investment activities		**47**	382
Sub-total of cash inflows		**117**	439
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**2,186**	3,710
Cash paid for acquisition of investments		**25**	142
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid relating to investment activities			
Sub-total of cash outflows		**2,211**	3,852
Net cash flow from investing activities		**(2,094)**	(3,413)

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited — Monetary *unit: RMB million*

Items	Note	Six months ended 30 Jun. 2010	2009
3. Cash flows from financing activities			
Cash received from absorbing investment			
Including: received of subsidiary from minority shareholder			
Cash received from borrowings		**17,385**	14,540
Other cash received relating to financing activities			
Sub-total of cash inflows		**17,385**	14,540
Cash paid for settling debt		**16,011**	11,570
Cash paid for distribution of dividends or profit or reimbursing interest		**1,210**	2,287
Including: dividends or profit paid to minority interest			
Other cash payments relating to financing activities		**32**	13
Sub-total of cash outflows		**17,253**	13,870
Net cash inflow from financing activities		**132**	670
4. Effect of foreign exchange rate changes on cash and cash equivalents			
5. Net increase in cash and cash equivalents	7(43)	**(289)**	(1,328)
Add: Cash and cash equivalents at year-begin	7(43)	**2,242**	2,974
6. Cash and cash equivalents at the end of the year	7(43)	**1,953**	1,646

Legal representative:	*Chief Accountant:*	*Controller:*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited | Monetary *unit: RMB million*

	30 June 2010									
	Shareholders' equity attributable to parent company									
Items	**Share capital**	**Capital reserve**	**Less: treasury stock**	**Special reserve**	**Surplus public reserve**	**General risk reserve**	**Undistri-buted profit**	**Other**	**Minority equity**	**Total of share-holders' equity**
1. Balance as at 31 Dec. 2009	7,235	31,510		50	3,357		10,280		1,366	53,798
Add: Change of accounting policy										
Correction of Last accounting errors										
Other										
2. Balance as at 1 Jan. 2010	7,235	31,510		50	3,357		10,280		1,366	53,798
3. Increase/decrease in 2010 ("-" means loss)		(51)		17			2,316		9	2,291
(1) Net profit							2,750		9	2,759
(2) Other comprehensive income		(51)								(51)
Subtotal of (1) and (2)		(51)					2,750		9	2,708
(3) Input and reduced capital of owners										
i. Capital input by owners										
ii. Amount of shares-based payment recorded in owner's equity										
iii. Other										
(4) Profit distribution							(434)			(434)
i. Appropriating surplus reserve										
ii. Appropriating general risk reserve										
iii. Distribution to Shareholders							(434)			(434)
iv. Other										
(5) Transfer internally of shareholder's equity										
i. Transferring capital reserve into share capital										
ii. Transferring surplus reserve into share capital										
iii. Making up losses with surplus reserve										
iv. Other										
(6) Appropriating and using special reserve				17						17
i. Appropriation number of this year				19						19
ii. Using number of this year				(2)						(2)
4. Balance for the six months ended 30 Jun. 2010	7,235	31,459		67	3,357		12,596		1,375	56,089

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY *(CONTINUED)*

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited Monetary *unit: RMB million*

	31 December 2009									
	Shareholders' equity attributable to parent company									Total of
Items	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus public reserve	General risk reserve	Undistri-buted profit	Other	Minority equity	share-holders' equity
1. Balance as at 31 Dec. 2009	7,235	31,423			3,301		11,144			53,103
Add: Change of accounting policy				21	(21)		5			5
Correction of Last accounting errors										
Other										
2. Balance as at 1 Jan. 2010	7,235	31,423		21	3,280		11,149			53,108
3. Increase/decrease in 2010 ("-" means loss)		87		29	77		(869)		1,366	690
(1) Net profit							727		(41)	686
(2) Other comprehensive income		87								87
Subtotal of (1) and (2)		87					727		(41)	773
(3) Input and reduced capital of owners									1,407	1,407
i. Capital input by owners									1,407	1,407
ii. Amount of shares-based payment recorded in owner's equity										
iii. Other										
(4) Profit distribution					77		(1,596)			(1,519)
i. Appropriating surplus reserve					77		(77)			
ii. Appropriating general risk reserve										
iii. Distribution to Shareholders							(1,519)			(1,519)
iv. Other										
(5) Transfer internally of shareholder's equity										
i. Transferring capital reserve into share capital										
ii. Transferring surplus reserve into share capital										
iii. Making up losses with surplus reserve										
iv. Other										
(6) Appropriating and using special reserve				29						29
i. Appropriation number of this year				35						35
ii. Using number of this year				(6)						(6)
4. Balance as at 30 June 2010	7,235	31,510		50	3,357		10,280		1,366	53,798

Legal representative: **Zhang Xiaogang** *Chief Accountant:* **Ma Lianyong** *Controller:* **Ma Lianyong**

BALANCE SHEET

As at 30 June 2010

Prepared by: Angang Steel Company Limited — Monetary *unit: RMB million*

Assets	*Note*	**30 Jun. 2010**	31 Dec. 2009
Current assets:			
Cash at banks and on hand		**337**	1,138
Trading financial assets			
Bills receivable		**2,563**	3,157
Accounts receivable	15(1)	**3,109**	1,770
Prepayments		**6,435**	5,294
Interest receivable			
Dividend receivable		**7**	
Other receivables	15(2)	**15**	12
Inventories		**12,503**	10,045
Non-current assets due within 1 year			
Other current assets			
Total current assets		**24,969**	21,416
Non-current assets:			
Available-for-sale financial assets		**93**	161
Long-term equity investments	15(3)	**4,080**	3,094
Fixed assets		**50,624**	51,720
Construction in progress		**7,474**	8,713
Construction material		**766**	2,317
Intangible assets		**6,545**	6,609
Deferred income tax assets		**806**	904
Other non-current assets			
Total non-current assets		**70,388**	73,518
Total assets		**95,357**	94,934

BALANCE SHEET *(CONTINUED)*

As at 30 June 2010

Prepared by: Angang Steel Company Limited — Monetary *unit: RMB million*

Liabilities and shareholders' equity	*Note*	30 Jun. 2010	31 Dec. 2009
Current liabilities:			
Short-term loans		**9,900**	12,200
Bills payable		**2,262**	2,776
Accounts payable		**3,454**	2,818
Advances from customers		**4,058**	5,822
Employee benefits payable		**380**	325
Tax and surcharges payable		**(1,492)**	(2,149)
Interest payables		**36**	
Other payables		**2,297**	3,263
Non-current liabilities due within 1 year		**3,883**	7,338
Other current liabilities		**3,037**	42
Total current liabilities		**27,815**	32,435
Non-current liabilities:			
Long-term loans		**12,477**	9,822
Deferred tax liabilities		**44**	61
Other non-current liabilities		**252**	139
Total non-current liabilities		**12,773**	10,022
Total liabilities		**40,588**	42,457

BALANCE SHEET *(CONTINUED)*

As at 30 June 2010

Prepared by: Angang Steel Company Limited — Monetary *unit: RMB million*

Liabilities and shareholders' equity	*Note*	**30 Jun. 2010**	31 Dec. 2009
Shareholders' equity:			
Share capital		**7,235**	7,235
Capital reserve		**31,459**	31,510
Special reserve		**67**	50
Surplus reserve		**3,357**	3,357
Undistributed profit		**12,651**	10,325
Total shareholders' equity		**54,769**	52,477
Total liabilities and shareholders' equity		**95,357**	94,934

Legal representative: **Zhang Xiaogang** — *Chief Accountant:* **Ma Lianyong** — *Controller:* **Ma Lianyong**

INCOME STATEMENT

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited

Monetary *unit: RMB million*

Items	Note	Six months ended 30 Jun. 2010	2009
1. Operating income	15(4)	**43,228**	30,042
Less: Operating costs for main business	15(4)	**36,464**	28,982
Business tax and surcharges		**132**	72
Selling expenses		**740**	434
Administrative expenses		**1,651**	1,418
Financial expenses		**535**	321
Impairment losses on assets		**385**	612
Add: gains/losses from fair value variation ("-" means loss)			
Investment income ("-" means loss)	15(5)	**253**	(14)
Including: Income from investment in jointly controlled enterprises and associates		**252**	(14)
2. Operating profit ("-" means loss)		**3,574**	(1,811)
Add: Non-operating income		**26**	69
Less: Non-operating expenses		**18**	13
Including: Loss on non-current assets disposal		**18**	13
3. Profit before income tax ("-" means loss)		**3,582**	(1,755)
Less: Income tax expenses		**822**	(192)
4. Net profit for the year ("-" means loss)		**2,760**	(1,563)

INCOME STATEMENT *(CONTINUED)*

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited | Monetary *unit: RMB million*

Items	*Note*	Six months ended 30 Jun. 2010	2009
5. Earning per share			
(1) Basic earnings per share		**0.381**	(0.216)
(2) Diluted earnings per share		**0.381**	(0.216)
6. Other comprehensive income		**(51)**	67
7. Total comprehensive income		**2,709**	(1,496)

Legal representative:	*Chief Accountant:*	*Controller:*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

CASH FLOW STATEMENT

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited   Monetary *unit: RMB million*

		Six months ended 30 Jun.	
Items	*Note*	**2010**	2009
1. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		**41,350**	33,776
Refund of tax and fare received			11
Other cash received relating to operating activities		**73**	6
Sub-total of cash inflows		**41,423**	33,793
Cash paid for goods and services		**36,699**	29,680
Cash paid to and on behalf of employees		**1,326**	1,237
Cash paid for all types of taxes		**1,638**	1,196
Other cash paid relating to operating activities		**432**	265
Sub-total of cash outflows		**40,095**	32,378
Net cash flow from operating activities	15(6)	**1,328**	1,415

CASH FLOW STATEMENT *(CONTINUED)*

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited

Monetary *unit: RMB million*

Items	*Note*	Six months ended 30 Jun. **2010**	2009
2. Cash flows from investing activities			
Cash received from return of investments			
Cash received from investment income		**66**	36
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**4**	21
Net cash received from the disposal of subsidiaries and other operating units			
Other cash received relating to investment activities		**39**	382
Sub-total of cash inflows		**109**	439
Cash paid for acquisition of fixed assets intangible assets and other long-term assets		**172**	3,710
Cash paid for acquisition of investments		**825**	142
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid relating to investment activities			
Sub-total of cash outflows		**997**	3,852
Net cash flow from investing activities		**(888)**	(3,413)

CASH FLOW STATEMENT *(CONTINUED)*

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited

Monetary *unit: RMB million*

Items	Note	Six months ended 30 Jun. 2010	2009
3. Cash flows from financing activities			
Cash received from absorbing investment			
Including:received of subsidiary from minority shareholder			
Cash received from borrowings		**14,990**	14,540
Other cash received relating to financing activities			
Sub-total of cash inflows		**14,990**	14,540
Cash paid for settling debt		**15,096**	11,570
Cash paid for distribution of dividends or profit or reimbursing interest		**1,103**	2,287
Including:dividends or profit paid to minority interest			
Other cash payments relating to financing activities		**32**	13
Sub-total of cash outflows of financing activities		**16,231**	13,870
Net cash inflow from financing activities		**(1,241)**	670
4. Effect of foreign exchange rate changes on cash and cash equivalents			
5. Net increase in cash and cash equivalents	15(6)	**(801)**	(1,328)
Add: Cash and cash equivalents at year-begin	15(6)	**1,138**	2,914
6. Cash and cash equivalents at the end of the year	15(6)	**337**	1,586

Legal representative: **Zhang Xiaogang**

Chief Accountant: **Ma Lianyong**

Controller: **Ma Lianyong**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited

Monetary *unit: RMB million*

Items	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus public reserve	General risk reserve	Undistri-buted profit	Total of share-holders' equity
	30 June 2010							
1. Balance as at 31 Dec. 2009	7,235	31,510		50	3,357		10,325	52,477
Add: Change of accounting policy								
Correction of Last accounting errors								
Other								
2. Balance as at 1 Jan. 2010	7,235	31,510		50	3,357		10,325	52,477
3. Increase/decrease in 2010 ("-" means loss)		(51)		17			2,326	2,292
(1) Net profit							2,760	2,760
(2) Other comprehensive income		(51)						(51)
Subtotal of (1) and (2)		(51)					2,760	2,709
(3) Input and reduced capital of owners								
i. Capital input by owners								
ii. Amount of shares-based payment recorded in owner's equity								
iii. Other								
(4) Profit distribution							(434)	(434)
i. Appropriating surplus reserve								
ii. Appropriating general risk reserve								
iii. Distribution to Shareholders							(434)	(434)
iv. Other								
(5) Transfer internally of shareholder's equity								
i. Transferring capital reserve into share capital								
ii. Transferring surplus reserve into share capital								
iii. Making up losses with surplus reserve								
iv. Other								
(6) Appropriating and using special reserve				17				17
i. Appropriation number of this year				19				19
ii. Using number of this year				(2)				(2)
4. Balance for the six months ended 30 Jun. 2010	7,235	31,459		67	3,357		12,651	54,769

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY *(CONTINUED)*

For the six months ended 30 June 2010

Prepared by: Angang Steel Company Limited Monetary *unit: RMB million*

				31 December 2009				
Items	**Share capital**	**Capital reserve**	**Less: treasury stock**	**Special reserve**	**Surplus public reserve**	**General risk reserve**	**Undistri-buted profit**	**Total of share-holders' equity**
1. Balance as at 31 Dec. 2009	7,235	31,423			3,301		11,144	53,103
Add: Change of accounting policy				21	(21)		5	5
Correction of Last accounting errors								
Other								
2. Balance as at 1 Jan. 2010	7,235	31,423		21	3,280		11,149	53,108
3. Increase/decrease in 2010 ("-" means loss)		87		29	77		(824)	(631)
(1) Net profit							772	772
(2) Other comprehensive income		87						87
Subtotal of (1) and (2)		87					772	859
(3) Input and reduced capital of owners								
i. Capital input by owners								
ii. Amount of shares-based payment recorded in owner's equity								
iii. Other								
(4) Profit distribution					77		(1,596)	(1,519)
i. Appropriating surplus reserve					77		(77)	
ii. Appropriating general risk reserve								
iii. Distribution to Shareholders							(1,519)	(1,519)
iv. Other								
(5) Transfer internally of shareholder's equity								
i. Transferring capital reserve into share capital								
ii. Transferring surplus reserve into share capital								
iii. Making up losses with surplus reserve								
iv. Other								
(6) Appropriating and using special reserve				29				29
i. Appropriation number of this year				35				35
ii. Using number of this year				(6)				(6)
4. Balance as at 30 June 2010	7,235	31,510		50	3,357		10,325	52,477

Legal representative: **Zhang Xiaogang**

Chief Accountant: **Ma Lianyong**

Controller: **Ma Lianyong**

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2010

(Expressed in RMB million unless otherwise indicated)

1. COMPANY PROFILE

Angang Steel Company Limited (formerly known as Angang New Steel Company Limited) (abbreviated as "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 (the "PRC"), with Anshan Iron & Steel Group Complex ("Angang Holding") as the sole promoter, pursuant to the approval document TI GAI SHENG [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 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.

The Company issued 1.5 billion A share convertible bonds in the PRC on 15 march 2000. The bonds reach its maturity on 14 March 2005. Total of 453,985,697 A shares of the company were transferred from the bonds.

1. COMPANY PROFILE *(Continued)*

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 .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 proposed to issue A shares and H rights shares 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 subscription price for A shares and H shares is RMB15.40 per share and HKD15.91 respectively. The entitlements to the Rights Shares under the Share Rights Issue represent a total of 1,301,822,150 shares, including 1,106,022,150 A shares and 195,800,000 H shares. The new shares are listed for trade on Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited on 25 October 2007 and 14 November 2007 respectively. The Company had obtained the revised business license on 31 March 2008.

At the balance sheet date, the Company's legal representative: Zhang Xiaogang; Registered capital: RMB7,234,807,847; Business certificate code: 210000400006026; Registered office: Production Area of Angang Steel, Address of the Company Tie Xi District, Anshan City, Liaoning Province, the PRC.

The Company and its subsidiary (abbreviated as "the Group") are principally engaged in ferrous metal smelting and steel pressing and processing.

The financial statements has been approved by the Board of Directors on August 17, 2010.

2. BASIS OF PREPARATION

The financial statements of the Group are based on the assumption of going concern principal according to the actual transactions and events, in light of the accounting standard for business enterprise promulgated by the Ministry of Finance of PRC in Feb. 2006 and 38 specific accounting standards, the following promulgated application guidelines, interpretations and other related rules ("Enterprise Accounting Standards").

3. STATEMENT ON COMPLIANCE WITH THE ENTERPRISE ACCOUNTING STANDARDS

The Group declared that the Financial Report prepared by the Group was in line with requirements of the Enterprise Accounting Standards. These financial statements present truly, accurately and completely the financial position of the Group as at 30 June 2010, the results of operation, the cash flow of the Group for the six months ended 30 June 2010. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" revised by the China Securities Regulatory Commission ("CSRC") in 2010.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting year

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

(2) Functional currency and presentation currency

The Group's functional currency is RMB.

(3) Business combinations

Business combinations are classified into the business combinations under the same control and the business combinations not under the same control.

(a) The business combinations under the same control

The assets and liabilities that the combining party obtained in a business combination shall be measured according to its book value in the combined party on the acquisition date. As for the difference between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the paid-in capital reserve (share premium) shall be adjusted by the difference. If the capital reserve (share premium) is not sufficient to be offset, the retained earnings shall be adjusted. The direct cost occurred in the business combination of the combining party shall be recorded into the profits and losses at the current period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(3) Business combinations *(Continued)*

(b) The business combinations not under the same control

For the business combinations not under the same control, the combination costs shall be the fair value, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree. All relevant direct costs incurred to the acquirer for the business combination shall also be recorded into the cost of business combination. For a business combination realized by two or more transactions, the combination costs shall be the summation of the costs of all separate transactions. Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs. The acquirer shall, on the acquisition date, measure the assets obtained and liabilities incurred or assumed in light of their fair values in a business combination not under common control.

If the combination costs are more than the fair value of the identifiable net assets obtained, the acquirer shall recognized the difference as goodwill; if the combination costs are less than the fair value of the identifiable net assets obtained, the acquirer shall firstly reexamine the measurement of the fair values of the identifiable assets obtained, liabilities incurred and contingent liabilities incurred, as well as the combination costs. After that, if the combination costs are still less than the fair value of the identifiable net assets obtained, the acquirer shall recognized the difference in profit or lose of the current period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(4) Preparation methods for consolidated financial statements

(a) Recognition principle

The scope of consolidation of consolidated financial statements shall be ascertained on the basis of control power. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company shall present consolidated financial statement in which it consolidated it investments in subsidiaries in which the Company holds more than 50% capital share or even less than 50% but substantively control its financial and operation activities.

(b) Preparation of consolidated financial statements

The consolidated financial statements shall, on the basis of the financial statements of the parent company and its subsidiaries, be prepared by the parent company after the long-term equity investments in the subsidiaries are adjusted by employing equity method and the long-term equity investments of a parent company in its subsidiaries be offset against its portion of owner's equity in the subsidiaries, and the effects of the internal transactions and the items of credits and debts between the parent company and its subsidiaries are offset. The accounting policy or accounting period of each subsidiary shall be adjusted as that of Company if it is different from that of the Company; or subsidiaries shall prepare financial statement again in compliance with the accounting policy and accounting period of the company.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(4) Preparation methods for consolidated financial statements *(Continued)*

(b) Preparation of consolidated financial statements *(Continued)*

If the parent company has a new subsidiary due to business combination under the same control during a reporting period, it shall adjust the Beginning balance in the consolidated balance sheets when preparing consolidated balance sheets. If it is not under the same control the parent company shall not adjust the Beginning balance in the consolidated balance sheets when preparing consolidated balance sheets. If the parent company disposes of a subsidiary within a reporting period, when it prepares consolidated balance sheets, it shall not adjust the Beginning balance in the consolidated balance sheets.

If the parent company obtained the subsidiaries under the same control, the sales, expenses and profits of the subsidiaries from the Beginning to the end of the reporting period in which the combination takes place are included in the parent company's consolidated income statements; If it is not under the same control, the sales, expenses and profits of the subsidiaries from the acquisition date to the end of the reporting period are included in the parent company's consolidated income statements. If the parent company disposes of a subsidiary within reporting period, the sales, expenses and profits of the subsidiaries from the Beginning of the reporting period to the disposal date are included in the parent company's consolidated income statements.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(4) Preparation methods for consolidated financial statements *(Continued)*

(b) Preparation of consolidated financial statements *(Continued)*

If the parent company obtained the subsidiaries under the same control, the cash flow of the subsidiaries from the Beginning to the end of the reporting period in which the combination takes place are included in the parent company's consolidated cash flow statements; If it is not under the same control, the cash flow of the subsidiaries from the acquisition date to the end of the reporting period are included in the parent company's consolidated cash flow statements. If the parent company disposes of a subsidiary within reporting period, the cash flow of the subsidiaries from the Beginning of the reporting period to the disposal date are included in the parent's consolidated cash flow statements.

(5) Recognition standard for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits that are available for payment at any time and short-term (within 3 months from the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(6) Business of foreign currencies and the translation of foreign financial statement

(a) Business of foreign currencies

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency is translated to RMB at the spot exchange rate of the transaction date. (Generally, a spot exchange rate is middle price quoted by the People's Bank of China on the day of transaction), nonetheless, business of foreign currency exchange or transaction involving foreign currency exchange shall be translated into RMB by actual exchange rate.

(b) Translation of financial statements listed in foreign currency

Monetary items denominated in foreign currency are translated into RMB at the spot exchange at the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate at the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period, unless that it is arising from foreign currency borrowings which is specifically for the purpose of acquisition, construction of qualifying assets and satisfying the condition of capitalization. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate on the date fair value ascertained, and the translation difference shall be recorded into the profits and losses at the current period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments

(a) Recognition of the financial instruments

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party by the contractual provisions of a financial instrument.

(b) Classification of financial assets and financial liability

Financial assets of the Group shall be classified into the four categories according to investment purpose and business substance.

(i) The financial assets shall be measured at fair values and the variation of which shall be recorded into the current profits and losses, including transactional financial assets and the designated financial assets which are measured at their fair values and of which the variation is included in the current profits and losses; (ii) The investments which will be held to their maturity; (iii) Loans and the account receivables; (iv) Financial assets available for sale.

Financial liabilities shall be classified into the following two categories according to business character of the Group:

(i) The financial liabilities which are measured at their fair values and the variation of which is recorded into the current profits and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; (ii) Other financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments *(Continued)*

(c) Measurement of financial assets and financial liabilities

(i) The financial assets or financial liabilities shall be measured at their fair value and the variation of which shall be recorded into the current profits and losses.

When obtained, the financial assets or financial liabilities shall be initially measured at their fair value (except the interest on bonds of which the mature interest rate is not drawn in the payment or the cash dividend which is declared but not extended in the payment), its transaction costs are charged to profit or loss. The interest or cash dividend which was gained in the period are recognized as investment income. At the balance sheet date, the variation in the fair value of the financial asset or financial liability shall be recorded into the profits and losses of the current period. When the said financial assets of financial liabilities are on disposal, the difference between the fair value and the amount of initial recognition shall be recognized as investment income; meanwhile, the profits and losses arising from the variation in fair value shall be adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments *(Continued)*

(c) Measurement of financial assets and financial liabilities *(Continued)*

(ii) The investments which will be held to their maturity

The investments held to maturity shall initially be measured at fair value when obtained (except the interest on bonds of which the mature interest rate is not drawn in the payment) plus transaction expense. The interest revenue shall be calculated according to amortized cost and effective interest rate (if the difference between effective interest rate and coupon rate is minor, interest revenue could be measured at coupon rate), and be recorded into investment income. The effective interest rate, ascertained when initially obtained, shall maintain unchanged within the predicted term of existence or within a shorter applicable term. When the investments held to their maturity is derecognized, the difference between the consideration obtained and investment book value shall be recorded into the profits and losses of current period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments *(Continued)*

(c) Measurement of financial assets and financial liabilities *(Continued)*

(iii) The accounts receivables

The creditor's right receivable that formed during selling goods or service rendering and others, including accounts receivable, bills receivable,other receivable, long-term receivable,etc but financial instrument that have no quoted price in active market, shall be initially measured in accordance with the contract or agreement signed between the Company and the buyers. Financial receivables shall be initially measured at discounted value. While the accounts receivable recovered or disposed of, the difference between the realized value and the book value shall be recorded into the profits and losses of the current period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments *(Continued)*

(c) Measurement of financial assets and financial liabilities *(Continued)*

(iv) Financial assets available for sale

The financial assets available for sale shall initially be measured at fair value when obtained (except the interest on bonds of which the mature interest rate is not drawn in the payment) plus transaction expense. The interest revenue or cash dividend gained during the period of holding the financial assets available for sale shall be recorded into investment income. On balance sheet date, the financial assets shall be measured at fair value, while the variation in fair value shall be recorded into capital reserves (other capital reserves). When disposed of, the difference between initially purchase price and the book value of the financial assets shall be recorded into investment income; meanwhile, the portion of accumulated variation in fair value previously recorded into share holds' equity shall be transferred to the current profits ad losses according to a certain proportion.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments *(Continued)*

(c) Measurement of financial assets and financial liabilities *(Continued)*

(v) Other financial liabilities

Other financial liabilities shall be initially measured at fair value plus transaction cost, and subsequently measured at amortized cost except following circumstances:

(1) The derivative financial liabilities, of which the fair value cannot be reliably measured and quoted price does not exist in active marked, and connected to the equity instrument and be obliged to settled by delivering equity instrument, shall be measured at costs.

(2) The financial guarantee contracts, which are not designated as a financial liability and measured at its fair value and the variation is recorded into the profits and losses of the current period, and the bank loan commitments, which are not designated to be measured at the fair value and of which the variation is recorded into current profits and losses and which is incorporated with preferential interest rate, subsequently measured at the higher of following two amounts after initial measurement:

A) The amount ascertained according to the Accounting Standards for Enterprises No. 13 Contingencies;

B) The surplus of initially recognized amount from which the accumulative amortization ascertained according to the principles of the Accounting Standards for Enterprises No.14 Revenues is subtracted.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments *(Continued)*

(d) Recognition and measurement of transfer of financial assets

The financial assets shall be derecognized while the Group has transferred nearly all the risks and rewards related to the ownership of which to the transferee, and it shall not be derecognized while the Group retain nearly all the risks and rewards related to the ownership.

Substance over form principal shall be adopted while making a judgment on whether the transfer of financial asset satisfies the conditions for termination of recognition. The transfer of financial assets could be classified into the entire transfer and the partial transfer.

If the transfer of an entire financial asset satisfies the conditions for termination of recognition, the difference between the amounts of the following 2 items shall be recorded into current profits and losses:

(i) The book value of the transferred financial asset;

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments *(Continued)*

(d) Recognition and measurement of transfer of financial assets *(Continued)*

(ii) The sum of consideration received from the transfer, and the accumulative amount of the variation in fair value previously recorded into the shareholders' equities

If the partially transfer of financial asset satisfies the conditions of termination of recognition, the entire book value of the transferred financial asset shall be apportioned according to their respective relative fair value between the portion of derecognized part and the remains, and the difference between the amounts of the following 2 items shall be recorded into the profits and losses of the current period:

(i) The book value of derecognized part;

(ii) The sum of consideration of the portion derecognized and the portion of the corresponding accumulative amount of the variation in the fair value previously recorded into the shareholders' equities.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments *(Continued)*

(e) Determination of fair values

(i) Where there is an active market of financial assets and liabilities, the quoted prices in the active market shall be used to determine the fair values. The quoted price is ascertained in accordance with the following two principles:

(1) In the active market, the quoted prices of the financial assets the Company holds or the financial liabilities the Company plans to assume shall be the present actual offer, while the quoted prices of the financial assets the Company plans to acquire or the financial liabilities the Company assumed shall be the available charge.

(2) Where there is no available offer or charge for a financial asset or financial liability, the Company shall adopt the market quoted price of the latest transaction or adjusted market quoted price of the latest transaction, except that there are obvious evidence shows the quoted price is not fair.

(ii) If no active market exists for a financial instrument, a valuation technique will be used to establish the fair value.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments *(Continued)*

(f) Impairment of financial assets

An impairment test shall be made on the financial assets at the balance sheet date. The impairment-related losses shall be recognized if any objective evidence shows that it has been impaired. The objective evidence, showing the financial assets has been impaired, is referred to the events which occur after the initial recognition and materially affect the future cash flows generated by financial assets and the influence could be reliably measured.

(i) The investments which will be held to their maturity

Investment held to maturity measured at amortize cost shall be written down to present value of estimated future cash flow (excluding the loss of future credits not yet occurred)discounted by original effective interest rate, and the written-down shall be recorded into current profits or loses.

An independent impairment test shall be made on the financial assets with significant single amounts. With regard to the financial assets with insignificant single amounts, an independent impairment test may be carried out, or they may be tested in a combination of financial assets with similar credit risk features. The financial assets with significant single amount that an independent impairment test show which has not been impaired shall be put in a combination of financial assets with similar risk features and tested again. The financial assets with significant single amount suffered from an impairment loss proven by independent impairment test shall not be tested again.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Financial instruments *(Continued)*

(f) Impairment of financial assets *(Continued)*

(ii) The accounts receivables

The way of impairment testing and impairment measurement is disclosed in "note 4(8) receivables"

(iii) Available-for-sale financial asset

While the fair value of available-for-sale financial asset falls significantly, or judged by the Company that descEnding trend is not temporary after taking into account related data comprehensively, the difference between fair value and book value shall be recognized as impairment loss, meanwhile, the variation in fair value previously recorded in shareholders' equity shall be transferred out and recognized as impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(8) Account receivables

(a) Recognition of provision

At the balance sheet date, The Group carry out an overall inspection on the carrying amount of the account receivables. Where there is any objective evidence as followings proving that such account receivables has been impaired, an impairment provision shall be made. (i) A serious financial difficulty occurs to the issuer or debtor; (ii) The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc. (iii) The debtor will probably go bankrupt or carry out other financial reorganizations; (iv) Other objective evidences showing that the accounts receivables suffering impairment.

(b) Measurement of provision

Accounts receivables are tested for impairment both on an individual basis and on a collective group basis.

On balance sheet date, an independent impairment test shall be made on accounts receivable with significant single amounts and insignificant single amounts which will be riskier as they are put into a combination by credit risk features. Account receivables with insignificant single amounts and those has not been impaired upon independent test are divided to a series of combination, and then perform impairment test.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(8) Account receivables *(Continued)*

(b) Measurement of provision *(Continued)*

Where impairment is tested on an individual basis, the book value of accounts receivable shall be written down to present value of estimated future cash flow(excluding the loss of future credits not yet occurred) discounted by original effective interest rate, and the written-down shall be recorded into current profits or losses.

Where impairment is tested on collective basis, the impairment is based on historical loss of accounts receivable combination by similar credit risk feature, and adjusted in accordance with economic data obtained under current circumstances.

(c) Reversal of provision

If evidences show that the value of receivable is recovered and that recovery is connected to the event subsequent to the recognition of impairment loses, previously recognized impairment losses shall be revered and recorded into current profits and losses, however, the book value after reversed impairment losses shall not excess the amortized cost on the assumption that no impairment losses have been made previously.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Inventories

(a) Classification of inventory

The inventory of the Group comprises raw material, work in progress, finished goods, consumables, spare parts, materials in transit, and outsourcing materials etc.

(b) Pricing of inventory received and dispatched

The inventories shall be initially measured in light of their cost when purchasing, the cost of inventory consists of purchase costs, processing costs and other costs. The cost of good transferred to manufacturing cost by weighted average method and specific identification method.

Besides the purchase costs of raw materials, work in progress and finished goods and the direct labor cost shall be allocated to production overheads by appropriate apportion rate.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Inventories *(Continued)*

(c) Recognition and measurement of provision for decline in value of inventories

On balance sheet date, the inventories shall be measured at the lower of lower of the cost and the net realizable value.

The net realizable value is the amount after deducting the estimated cost of completion, estimated selling expense and relevant taxes from the estimated selling price of inventories, which includes: (1)As to the inventories held for sale, such as finished goods, products and materials held for sale, the net realizable value is the amount after deducting the estimated selling expense and relevant taxes from the estimated selling price of inventories; (2)The net realizable value refers to those material inventories, which need to be processed, in the daily business activity the amount after deducting the estimated cost of completion, estimated selling expense and relevant taxes from the estimated selling price of inventories;(3)The net realizable value of inventories held for the execution of selling contracts or labor contracts shall be calculated on the ground of the contract price. If an enterprise holds more inventories than the quantities subscribed in the selling contract, the net present value of the excessive part of the inventories shall be calculated on the ground of the general selling price.

The provision of inventories except the spare parts for decline in value is calculated by individual inventory item. The provision for decline in value of spare parts is calculated according to the actual situation and the management's estimations.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Inventories *(Continued)*

(c) Recognition and measurement of provision for decline in value of inventories *(Continued)*

At the balance sheet date, if the cost of inventories is higher than the net realizable value, the provision for the loss on decline in value of inventories shall be made and be recorded into the current profits and losses. If the factors causing any write-down of the inventories disappeared, the amount of write-down shall be resumed and be reversed from the provision to the extent of provision previously made. The reversed amount shall be recorded into the current profits and losses.

(d) The Group maintains a perpetual inventory system.

(e) Amortization of consumables

Consumables such as low-value consumables, packaging materials and other consumables are amortized by lump-sum, units-production method or equal installments method depEnding on their nature. The amounts of the amortization are recorded in the cost of the related assets or the current profits and losses.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments

(a) Initial Measurement

For the long-term equity investment obtained by business combination under common control, it shall, on the date of combination, take the share of book value of the shareholders' equity of subsidiaries as the initial costs of long-term equity investment. For the long-term equity investment obtained by business combination under different control, it shall, on the date of combination, take combination cost as initial cost of long-term equity investment. Besides long-term equity investment obtained by bushiness combination, the initial cost of long-term equity investment obtained by other means shall be ascertained by accordance with actual cash payment, the fair value of the equity securities issued, the conventional value stipulated in the investment contract or agreement, etc. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments *(Continued)*

(a) Initial Measurement *(Continued)*

For the long-term equity investment obtained by business combination under common control, it shall, on the date of combination, take the share of book value of the shareholders' equity of subsidiaries as the initial costs of long-term equity investment. The difference between initial costs of long-term equity investment and the book value of consideration of combination shall offset against capital reserve. If the capital reserve is not sufficient to diluted, the retained earnings shall be adjusted. As to combining party, the direct cost including the expenses for audit, assessment and legal services for the business combination shall be recorded into current profits and losses. If the consideration of combination is issuing bonds, the fees, commissions and other expenses for assuming other liabilities shall be taken as part of initial cost of the bonds or other debts. If the consideration of combination is issuing equity security, the fees, commissions and other expenses for the issuance shall offset against premium of issuance of equity security. If the premium is not sufficient, the retained earnings shall be adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments *(Continued)*

(a) Initial Measurement *(Continued)*

For the long-term investment obtained by business combination under different control, the initial cost, on the date of combination, shall be ascertained in accordance with assets transferred as consideration, the fair value of equity security issued and liability incurred or assumed and other expenses directly related to combination. For a business combination realized by two or more transactions, the combination costs shall be the summation of the costs of all separate transactions. Where any subsequent events stipulated in the combination contract or agreement that are likely to affect the combination costs, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs. If the consideration of combination is issuing bonds, the fees, commissions and other expenses for assuming other liabilities shall be taken as part of initial cost of the bonds or other debts. If the consideration of combination is issuing equity security, the fees, commissions and other expenses for the issuance shall offset against premium of issuance of equity security. If the premium is not sufficient, the retained earnings shall be adjusted.

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly related to the long-term equity investment, taxes and other necessary expenses.

The initial cost of a long-term equity investment, obtained by means of issuing equity securities, shall be the fair value of the equity securities issued.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments *(Continued)*

(a) Initial Measurement *(Continued)*

The initial cost of a long-term equity investment contributed by shareholder shall be the value stipulated in the investment contract or agreement except that value stipulated in the contract or agreement is not fair.

The initial cost of a long-term investment obtained by the exchange of nonmonetary assets shall be ascertained in accordance with the Accounting Standards for Enterprises No. 7 – Exchange of Non-monetary Assets.

The initial cost of a long-term equity investment obtained by debt restructuring shall be ascertained in accordance with Accounting Standards for Enterprises No. 12 – Debt Restructuring.

The initial cost of a long-term investment shall be measured in compliance with its revaluation price while the book value of assets and liabilities are adjusted in light of its appraised value in the reformation of its mechanism.

Except the direct cost related to business combination, the initial cost of long-term investment, acquired by other ways, comprise direct acquisition cost, relevant tax and other necessary expenditures.

The cash dividends and profits announced, which is included in consideration, shall not be recognized as initial cost of accounts receivable but long-term investment.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments *(Continued)*

(b) Subsequent measurement of long-term equity investment and recognition of investment income

(i) A long-term equity investment of an investing enterprise, which is able to control the invested enterprise, does not do joint control or does not have significant influences on the invested entity, and has no quoted price in the active market and its fair value cannot be reliably measured, are stated by employing cost method.

The long-term equity investment stated by employing cost method shall be measured at initial investment cost. The cost of the long-term equity investment shall be adjusted while the amount of investment added or withdrew.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments *(Continued)*

(b) Subsequent measurement of long-term equity investment and recognition of investment income *(Continued)*

(ii) A long-term equity investment of the investing enterprise that does joint control or significant influences over the invested entity shall be stated by employing equity method. If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be recorded into the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

Long-term equity investment shall, in accordance with the proportion of the net profits or losses of the invested entity attributable to the Company, recognize the investment profits or losses and adjust the book value of the long-term equity investment simultaneously. The investing enterprise shall reduce the book value of the long-term equity investment in accordance with the proportion of the profits or cash dividends declared by the invested entity,

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments *(Continued)*

(b) Subsequent measurement of long-term equity investment and recognition of investment income *(Continued)*

(ii) *(Continued)*

An investing enterprise shall recognize the net losses of the invested enterprise to the extent that the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the investing enterprise has the extra obligation to undertake extra losses. If the invested entity realizes any net profits later, the investing enterprise shall resume recognizing its attributable share of profits after its attributable share of profits offsets against its attributable share of the un-recognized losses.

The investing enterprise shall ascertain attributable share of invested entity profit on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment and adjust the net profits of the invested entity in accordance with the accounting policies and accounting periods adopted by the invested entity if there is any difference between two sides after offsetting any inter-transaction profit/loss attributable to the investing entity(all inter-transaction loss due to impairment is fully recognized) . If there is debit variation relating to the investment in associates and joint venture prior to first adoption of accounting standard, investment income ascertained after deducting cumulative amortization of that debit on a straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments *(Continued)*

(b) Subsequent measurement of long-term equity investment and recognition of investment income *(Continued)*

(ii) *(Continued)*

Where any variation is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and the variation shall be directly recorded in the shareholder's equity simultaneously, when disposed of, the variation previously directly recorded in shareholders' equity related shall be transferred to current profits or losses.

(c) Measurement standard of the joint control and significant influences

(1) Measurement criteria of joint control: No any party could solely control operating activity of the joint venture. The strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments *(Continued)*

(c) Measurement standard of the joint control and significant influences *(Continued)*

(2) Measurement criteria of significant influences: When the Company directly or indirectly owns, or by subsidiaries owns, 20% or above but less than 50% of the voting shares of invested entity, unless there is obvious evidence shows that the Company shall not participate in the financial and operating decision making, the Company has significant influence on invested entity. If the Company owns less than 20% of the voting shares of invested entity, generally, the Company has no significant influence on invested entity.

But with the following conditions, we believe that the Company has significant influence over the invested entity:

(1) Have representative(s) in board of directors of the invested entity or similar authority organization;

(2) Get involved in policy making of the invested entity;

(3) There are significant transactions with the invested entity;

(4) Dispatch management staff to the invested entity;

(5) Providing key technology to the invested entity.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments *(Continued)*

(d) Method of impairment test and recognition of provision

At the balance sheet date, the Company shall check the long-term equity investment whether there is a sign of impairment exists as the follows. If there is sign of impairment, the estimated recoverable value shall be ascertained.

(1) The current market price of long-term entity investment falls, and its decrease is obviously higher than the expected drop over time or due to the normal use; (2) The economic, technological or legal environment in which the enterprise operates, or the market where the long-term entity investment is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise; (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the long-term entity investment will be affected, which will result in great decline of the recoverable amount of the long-term entity investment; (4) The long-term entity investment have been or will be left unused, or terminated for use, or disposed ahead of schedule; (5) Any evidence in the internal report of the enterprise shows that the economic performance of the long-term entity investment have been or will be lower than the expected performance, for example, the net cash flow created by long-term entity investment or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; (6) Other evidence indicates that the impairment of long-term entity investment has probably occurred.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Long-term equity investments *(Continued)*

(d) Method of impairment test and recognition of provision *(Continued)*

The recoverable value shall be ascertained in light of the higher one of the net amount of the selling fair value of the long-term equity investment and the current value of the expected future cash flow of the long-term equity investment. The Company estimates the recoverable value on the basis of individual long-term equity investment.

When the recoverable value of an individual long-term equity investment is lower than its book value, the Company shall diminish the book value to the recoverable value. The diminution amount shall be recorded into the profits and losses of the current period, and recognized the corresponding provision for impairment.

Once any provision for impairment is recognized, it shall not be written back within the assets' useful life.

(11) Fixed assets

(a) Recognition

Fixed assets represent the tangible assets held by the Group for use in the production of goods, service rendering, and renting and operation management purposes with useful lives over 1 year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows: (i) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; (ii) The cost of the fixed asset can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(11) Fixed assets

(b) Classification and depreciation method

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The useful lives, residual value rates of each class of fixed assets are as follows:

Classes of fixed assets	Useful lives	Residual value rate
Plants and buildings	10-20 years	3%-5%
Machinery and equipment	3-15 years	3%-5%
Other fixed assets	2-12 years	3%-5%

Fixed assets for which impairment provision has been made are depreciated based on the residual useful life and cost deducted scrap value and cumulative depreciation and provision. Fixed asset, reached expected usable condition but the budget is not yet completed, shall be initially measured at estimated value and depreciated timely. After the completion of purchasing or construction of fixed asset, the initial cost shall be adjusted but the previous depreciation based on estimated value.

The useful life estimated residual values and depreciation method of the fixed assets shall be checked at the end of each fiscal year, and be adjusted timely if necessary.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(11) Fixed assets *(Continued)*

(c) Method of impairment test and measurement of provision

At the balance sheet date, the Group shall make a judgment on whether there is any sign of possible impairment exists, if there is, the group shall estimate the recoverable value of fixed assets and perform an impairment test.

(1) where the current market price of assets falls, the fall is obviously higher than the expected drop over time or due to the normal use; (2) The economic, technological or legal environment in which the Group operates, or the market where the assets situated in will have any significant change in the current period or in the near future, and which will cause adverse impact on the enterprise; (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets; (4) Any evidence shows that the assets have become obsolete or have been damaged substantially; (5) The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule; (6) Any evidence in the internal report of the Group shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; (7) Other evidence indicates that the impairment of assets has probably occurred.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(11) Fixed assets *(Continued)*

(c) Method of impairment test and measurement of provision *(Continued)*

The recoverable value shall be ascertained in light of the higher one of the net amount of the fair value of the fixed assets deducting the disposal costs and the present value of the expected future cash flow of the fixed assets. The recoverable value shall be estimated on the basis of single item assets. Where it is difficult to do so, it shall be ascertained on the basis of the asset group to which the asset belongs. The term "group assets" refers to a minimum combination of assets that may be recognized by an enterprise, by which the flow-in cash generated shall be generally independent of those by other assets or group assets.

When the recoverable value of an individual fixed asset or the asset group of which it belongs to, is lower than its book value, the Group shall write down the book value to the recoverable value. The diminution amount shall be recorded into the profits and losses of the current period, and recognized the corresponding provision for impairment. Once any provision for impairment is recognized, it shall not be reversed within the assets' useful life.

(d) Fixed assets gained through financial lease

The recognition criteria, valuation methods and depreciation methods of fixed assets obtained by financial lease, see Note (19).

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(12) Construction in progress

Construction in progress includes technical renovation project, technical measures to project, project formed with scattered fixed assets. Construction in progress shall be initially measured at cost.

Construction in progress is transferred to fixed assets when it is ready for its intended use.

At the balance sheet date, the Group shall make a judgment on whether there is any sign of possible impairment exists based on following information, if there is, the group will estimate recoverable value of fixed asset and perform an impairment test.

(1) Where the current market price of construction in progress falls, and its decrease is obviously higher than the expected drop over time or due to the normal use; (2) The economic, technological or legal environment in which the enterprise operates, or the market where the construction in progress is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise; (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the constructions in progress will be affected, which will result in great decline of the recoverable amount of the constructions in progress; (4) Any evidence shows that the constructions in progress have become obsolete or have been damaged substantially; (5) The constructions in progress have been or will be left unused, or terminated for use, or disposed ahead of schedule; (6) Any evidence in the internal report of the enterprise shows that the economic performance of the constructions in progress have been or will be lower than the expected performance, for example, the net cash flow created by constructions in progress or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; (7) Other evidence indicates that the impairment of constructions in progress has probably occurred.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(12) Construction in progress *(Continued)*

The recoverable value shall be ascertained in light of the higher one of the net amount of the fair value of the construction in progress deducting the disposal costs and the present value of the expected future cash flow of the construction in progress. The recoverable value shall be estimated on the basis of single item constructions in progress. Where it is difficult to do so, it shall be accrued on the basis of the asset group to which the construction in progress belongs. The term "group assets" refers to a minimum combination of constructions in progress that may be recognized by an enterprise, by which the flow-in cash generated shall be generally independent of those by other assets or group assets.

When the recoverable value of an individual construction in progress or the asset group of which it belongs to, is lower than its book value, the Group shall diminish the book value to the recoverable value. The diminution amount shall be recorded into the profits and losses of the current period, and recognized the corresponding provision for impairment. Once any provision for impairment is recognized, it shall not be revered within the assets' useful life.

(13) Borrowing costs

The borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange difference on foreign currency translation concerning borrowings. Borrowing costs incurred directly attributable to the acquisition, construction of a qualified asset are capitalized as part of the cost of the asset. Except for the above, other borrowing costs are recognized as financial expenses in the income statement when incurred.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(13) Borrowing costs *(Continued)*

(a) Recognition and Measurement

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

(i) The asset disbursements have already incurred; (ii) The borrowing costs have already incurred; (iii) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(b) Capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(13) Borrowing costs *(Continued)*

(b) Capitalization period *(Continued)*

While qualified asset under acquisition, construction or production is ready for the intended use or sale, the capitalization of the borrowing shall be ceased; after qualified asset under acquisition and construction or production is ready for the intended use or sale. The borrowing costs shall be recorded into the profits and losses of the current period when they are incurred.

(c) Calculation of borrowings

During the period of capitalization, the to-be-capitalized amount of interests (including the amortization of discounts or premiums) in each accounting period shall be ascertained according to the following provisions:

(i) As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be ascertained in light of the actual cost incurred of the specially borrowed loan at the present period minus income generated from unused borrowing loan as a deposit or a temporary investment.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(13) Borrowing costs *(Continued)*

(c) Calculation of borrowings *(Continued)*

(ii) Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, The Group shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specific borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and ascertained in light of the weighted average interest rate of the general borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(14) Intangible assets

(a) Initial Measurement

The intangible assets shall be initially measured according to its cost. The cost of intangible assets is ascertained by following methods:

(i) The cost of purchased intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be ascertained on the basis of the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be recorded into profit or loss for the credit period, unless it shall be capitalized under the Accounting Standards for Enterprises No. 17 Borrowing Cost.

(ii) The cost of intangible assets invested by investors shall be ascertained according to the conventional value stipulated in the investment contract or agreement, except it is unfair.

(iii) The cost of self-developed intangible assets shall include the total expenditures incurred during the period from the time when it meets the provisions for confirmation of intangible assets to the time when the expected purposes of use are realized, except that the expenditures which have already been treated Last to the said period shall not be adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(14) Intangible assets *(Continued)*

(a) Initial Measurement *(Continued)*

(iv) The costs of intangible assets obtained from non-monetary assets transaction, debt recombination, government grants, and merger of enterprises shall be ascertained respectively according to the Accounting Standard for Business Enterprises No. 7 Exchange of non-monetary assets, Accounting Standard for Business Enterprises No. 12 Debt Restructurings, Accounting Standard for Business Enterprises No. 16 Government Grants and Accounting Standard for Business Enterprises No. 20 -Business Combinations.

(b) Subsequent measurement

The Group shall analyze and judge the service life of intangible Assets when it obtains intangible assets. The service life is ascertained according to the period through which it can bring economic benefits to the group. If the period when the intangible asset can bring economic benefits to the enterprise is uncertain, the intangible asset shall be regarded as an intangible asset with indefinite service life.

With regard to intangible assets with limited service life, its amortization amount shall be amortized within its service life systematically and reasonably. The group amortized intangible assets by straight-line method. The respective amortization periods for each intangible asset are listed as follows:

Items	Amortization period
Land using rights	50 years
Acquired software	3-10 years
Industrial technology	6-10 years

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(14) Intangible assets *(Continued)*

(b) Subsequent measurement *(Continued)*

The reasonable amortization amount of intangible assets shall be its cost minus the expected residual value. For intangible assets with an impairment provision, the accumulative amount of impairment provision shall be deducted from the cost as well. Intangible assets with indefinite service life shall not be amortized.

The Group shall, at least at the end of each year, check the service life and the amortization method of intangible assets with definite service life and adjust its service life if necessary.

The Group shall check the service life of intangible assets with indefinite service life during each accounting period. Where there are evidences to prove the intangible assets have limited service life, it shall be estimated of its service life, and be treated according to these Standards. The group has no intangible assets with indefinite service life.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(14) Intangible assets *(Continued)*

(c) Expenditures on research and development

Expenditures on an internal research and development project are classified into expenditures on the research phase and expenditures on the development phase. Research expenditures shall be recorded into current profits and loses while development expenditures may be confirmed as intangible assets when they satisfy the following conditions simultaneously:

(i) It is feasible technically to finish intangible assets for use or sale;

(ii) It is intended to finish and use or sell the intangible assets;

(iii) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

(iv) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

(v) The development expenditures of the intangible assets can be reliably measured.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(14) Intangible assets *(Continued)*

(d) Method of impairment test and measurement of provision

The Group shall, on the day of balance sheet, make a judgment on whether there is any sign of possible assets impairment as follows. If there is, the Group shall estimate recoverable amount and perform impairment test. The Group shall perform impairment test each year on intangible assets with indefinite service life whether there are signs of impairment or not.

(i) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use; (ii) The economic, technological or legal environment in which the Group operates, or the market where the assets situated in will have any significant change in the current period or in the near future, which will cause adverse impact on the Group; (iii) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the Group for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets; (iv) The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule; (v) Any evidence in the internal report of the Group shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; (vi) Other evidence indicates that the impairment of assets has probably occurred.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(14) Intangible assets *(Continued)*

(d) Method of impairment test and measurement of provision *(Continued)*

The recoverable amount shall be ascertained in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets. The Group shall, on the basis of single item assets, estimate the recoverable amount of intangible assets. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs. The recognition of an asset group shall base on whether the main cash inflow generated by the asset group is independent of those generated by other assets or other group assets.

The carrying value of the asset shall be written down to the recoverable amount while the measurement result of the recoverable amount indicates that the recoverable amount of an asset is lower than its carrying value, and the written down shall be recognized as impairment loss recorded into current profit or loss and as provision simultaneously. Once any loss of asset impairment is recognized, it shall not be reversed back within the assets' useful life.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(15) Projected Liability

(a) Recognition basis

The obligation, pertinent to Contingencies such as external guarantee, pending litigation or arbitration, lay-off plan, product assurance deposit, onerous contracts, obligation of restructuring, decommissioning obligation, shall be recognized as projected liability when the following conditions are satisfied simultaneously:

(i) That obligation is a current obligation of the Group; (ii) It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; (iii) The amount of the obligation can be measured in a reliable way.

(b) Measurement method

The projected liability shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group shall fully take into consideration of the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. If the time value of money is of great significance, the best estimate shall be ascertained after discounting the relevant future outflow of cash. The Group shall check the book value of the projected liability at the balance sheet date. If there is any obvious evidence indicating that the book value cannot really reflect the present best estimate, the group shall adjust the book value of projected liability in accordance with the present best estimate.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(16) Revenue

(a) The recognition of the revenue from selling goods

The revenue from selling goods shall be recognized when the following conditions are met simultaneously:

(i) The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Group; (ii) The Group retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; (iii) The relevant amount of revenue can be measured reliably; (iv) It is probable that relevant economic benefit will flow into the Group; (v) The costs of selling goods, incurred or will incur, can be measured reliably.

The Group recognized the revenue from selling goods based on fair value of amount that received or receivable on the contract or agreement.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(16) Revenue *(Continued)*

(b) The recognition of the revenue from rendering of services

When the outcome of a transaction involving the rendering of service can be estimated reliably, revenue from the rendering of service shall be recognized in the income statement by reference to the stage of completion of the transaction based on the proportion of services performed to date to the total services to be performed.

Where the outcome of service rendering cannot be estimated reliably, the revenue and cost shall be respectively treated as following:

(i) If the costs incurred are expected to be recoverable, revenues are recognized to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost;

(ii) If the costs incurred are not expected to be recoverable, the costs incurred are recognized in profit or loss and no service revenue is recognized.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(16) Revenue *(Continued)*

(c) Revenue from leasing use right of assets

(i) Principle of recognition:

The revenue from leasing use right of assets consists of interest revenue and royalty revenue. Revenue from leasing use right of assets may be recognized when the following conditions are met simultaneously:

(1) The relevant economic benefits are likely to flow into the Group;

(2) The amount of revenues can be measured reliably.

(ii) Method of recognition:

(1) The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Group's cash is used by others and the effective interest rate;

(2) The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(17) Government grants

Government grants consist of the government grants pertinent to assets and government grants pertinent to income.

(a) Recognition

No government grants may be recognized unless the following conditions are met simultaneously as follows: (i) The Group can meet the conditions for the government grants; (ii) The Group can obtain the government grants.

(b) Measurement

(i) If government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

(ii) Government grant pertinent to an asset is recognized initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognized initially as deferred income and recognized in profit or loss in the same periods in which the expenses are recognized. A grant that compensates the Group for expenses incurred is recognized in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(17) Government grants *(Continued)*

(b) Measurement *(Continued)*

(iii) If it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows: If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; If there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

(18) Deferred income tax assets or deferred income tax liabilities

Where there is difference (temporary difference) between the carrying amounts of the assets or liabilities and its tax base, or temporary difference of items that is not recognized as asset or liability but can ascertain its tax base according to tax law, the deferred income tax assets or the deferred income tax liabilities shall be ascertained using balance sheet liability method.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(18) Deferred income tax assets or deferred income tax liabilities *(Continued)*

(a) Recognition of deferred income tax assets

As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be ascertained to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained, except:

(i) The deductible temporary difference arising from the following: The transaction is not business combination, and at the same time of transaction, the accounting profits will not be affected, nor the taxable amount (or the deductible loss).

(ii) Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises can meet the following requirements simultaneously, The Group shall recognize the corresponding deferred income tax assets: The temporary differences are likely to be reversed in the expected future; It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(18) Deferred income tax assets or deferred income tax liabilities *(Continued)*

(b) Deferred income tax liabilities

Except for the deferred income tax liabilities arising from the following transactions, the Group shall recognize the deferred income tax liabilities arising from all taxable temporary differences:

(i) The taxable temporary differences arising from followings:

(1) The initial recognition of business reputation;

(2) The initial recognition of assets or liabilities arising from the following: The transaction is not business combination, and at the same time of transaction, the accounting profits will not be affected, nor the taxable amount (or the deductible loss).

(ii) The taxable temporary differences related to the investments of subsidiary companies, associated enterprises and contractual enterprises: The investing enterprise can control the time of the reverse of temporary differences; and the temporary differences are unlikely to be reversed in the excepted future.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(19) Leases

(a) Financial lease and operating lease

Where a lease satisfies one or more of the following criteria, it shall be recognized as a finance lease: (i) The ownership of the leased asset is transferred to the lessee when the term of lease expires; (ii) The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease Beginning date, it can be reasonably ascertained that the option will be exercised; (iii) Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset (general refer to 75% or above); (iv) In the case of the lessee, the present value of the minimum lease payments on the lease Beginning date amounts to substantially (general refer to 90% or above) the fair value of the leased asset on the lease Beginning date; in the case of the leaser, the present value of the minimum lease receipts on the lease Beginning date amounts to substantially (general refer to 90% or above) the fair value of the leased asset on the lease Beginning date; (v) The leased assets are of a specialized nature that only the lessee can use them without making significant modifications.

Lease except financial lease is operating lease.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(19) Leases *(Continued)*

(b) Accounting treatments in finance leases

(i) Accounting Treatments of Lessees:

On the lease Beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease Beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded into the asset value of the current period. The unrecognized financing charge shall according to the effective interest rate method to calculate and recognize the financing charge in the current period. Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

In calculating the depreciation of a leased asset, the Group should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(19) Leases *(Continued)*

(b) Accounting treatments in finance leases

(ii) Accounting Treatments of lessor

On the Beginning date of the lease term, recognize the sum of the minimum lease receipts on the lease Beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The lessor shall calculate the financing income at the current period by adopting the effective interest rate method. Contingent rents shall be recorded into the profits and losses of the period in which they actually arise.

(c) Accounting treatments in operating leases

The rents from operating leases shall be recorded by the lessor and lessee in the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs incurred to a lessor and lessee shall be recorded into the profits and losses of the current period. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

5. TAXATION

(1) Principal tax and tax rate

Type of tax	Taxation basis	Tax rate
VAT	Output VAT less input VAT	13%, 17%
Business tax	Taxable income	3%, 5%
City construction and maintenance tax, Education surcharge and local education surcharge	Paid circulating tax	7%, 3%, 1%
Custom duty	FOB	15%
Corporate income tax	Taxable income	25%

(2) Others

Other taxes paid complying with relevant tax laws of PRC.

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENT

(1) Subsidiary

(a) Subsidiaries acquired by set up method

Full name	Type of subsidiary	Registration place	Nature of the business	Registered capital	Business scope	Actual investment at the end of the period	Other essential investment
Angang Steel Distribution (Wuhan) Co., Ltd. ("Angang Wuhan")	Wholly-owned subsidiary	Wuhan	Steel processing and distribution	60	Steel and related products production, processing, wholesale and retail	60	
Angang Cold Rolled Steel Plate (Putian) Co., Ltd. ("Angang Putian")	Wholly-owned subsidiary	Putian	Steel processing	800	Ferrous metal rolling and production, processing of steel and related products	800	

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(1) Subsidiary *(Continued)*

(a) Subsidiaries acquired by set up method *(Continued)*

Full name	The proportion of shareholding *(%)*	The Proportion of voting-right *(%)*	Included in consolidated statements	Minority interest	Deductible minority interest	Balance of parent Group's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Angang Wuhan	100	100	Yes			
Angang Putian	100	100	Yes			

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(1) Subsidiary *(Continued)*

(b) Subsidiaries acquired by business combination not under common control

Full name	Type of subsidiary	Registration place	Nature of the business	Registered capital	Business scope	Actual investment at the end of the period	Other essential investment
Tianjin Angang Tiantie Cold Rolled Sheets Group Limited ("Tianjin Tiantie")	Equity joint venture	Tianjin	Steel processing distribution	3,700	Steel rolling and processing; production, processing and sale of galvanized sheets; metallurgy equipment technology advisory service, technological service; import and export business	1,407	

Full name	The proportion of shareholding (%)	The Proportion of voting-right (%)	Included in consolidated statements	Minority interest	Deductible minority interest	Balance of parent Group's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Tianjin Tiantie	50	50	Yes	1,375		

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(2) The change of the consolidation scope

The Group invested RMB 800 million to Angang Putian, which is newly established subsidiary with 100% shareholdings; therefore, it is included in consolidation.

(3) Subsidiaries that included in consolidation scope first time this year

Name	Net assets at the end of the period	Net profits of the period
Angang Putian	798	(2)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the notes below(including notes to parent financial statements), unless otherwise special indicated, the end of the period is 30 Jun. 2010, the start of the period is 1 Jan. 2009, the "this period" is six months ended 30 Jun. 2010, the "last period" is six months ended 30 Jun. 2009.

(1) CASH AT BANKS AND ON HAND

Items	Ending balance	Beginning balance
Cash on hand	**1**	1
Cash at banks	**1,220**	1,542
Other monetary capital	**732**	699
Total	**1,953**	2,242

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(2) BILLS RECEIVABLE

(a) Classification of bills receivable

Items	**Ending balance**	Beginning balance
Bank acceptance bills	**3,034**	3,396
Total	**3,034**	3,396

(b) As at 30 Jun. 2010, no bills receivable is used for mortgage.

(c) For this period, there was no bills receivable transferred to accounts receivable due to that the issuer is unable to honor its commitment.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(2) BILLS RECEIVABLE *(Continued)*

(d) Outstanding undue endorsed bills

Issuer	Issuing date	Expire date	Balance
ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Group Limited ("ANSC-Dachuan")	Apr to Jun 2010	Jul to Sep 2010	273
Funakoshi Automobile Material(Wuhan) Co., Ltd	Mar to May 2010	Jul to Sep 2010	226
Dongguan Maersk Container Industry Co., Ltd.	Mar to May 2010	Jul to Aug 2010	135
Beijing North Vehicle Logistics Development Co., Ltd.	Feb to Jun 2010	Aug to Dec 2010	124
Zhejiang Materials Industry International Co., Ltd.	Feb to Jun 2010	Aug to Dec 2010	116
Total			874

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(3) ACCOUNTS RECEIVABLE

(a) Classified by account nature

	Ending balance			
	Book balance		Bad debt provision	
Type	**Balance**	**Percentage (%)**	**Balance**	**Percentage (%)**
Significant amount of individual accounts receivable	**2,807**	**90**		
Other insignificant accounts receivable	**302**	**10**		
Total	**3,109**	**100**		

	Beginning balance			
	Book balance		Bad debt provision	
Type	Balance	Percentage (%)	Balance	Percentage (%)
Significant amount of individual accounts receivable	1,676	95		
Other insignificant accounts receivable	94	5		
Total	1,770	100		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(3) ACCOUNTS RECEIVABLE *(Continued)*

(a) Classified by account nature *(Continued)*

Note: (1) *The Group regard account receivables above 30 million as accounts receivable with single significant amount.*

(2) *The ending balance of accounts receivable was increased by 75.66%, due to the growth of receivables from export sales; increase of receivables from steel distribution unit.*

(b) Bad debt provision accrued at the end of the period:

The management considered that significant accounts receivable could be recovered and the debtors is able to honor their commitment, so bad debt provision rate is relatively low.

(c) The total amounts of accounts receivable due from shareholders with more than 5% (including 5%) voting shares of the Group at the end of the period is disclosed as follows:

	Ending balance		Beginning balance	
Debtor	**Balance**	**Bad debt provision**	Balance	Bad debt provision
Angang Holding	**1**		2	
Total	**1**		2	

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(3) ACCOUNTS RECEIVABLE *(Continued)*

(d) Details of accounts receivable due from the Group's top five debtors:

Debtors	Relationship	Amounts	Duration	Percentage (%)
Angang Group International Trade Corporation ("AngangTrade")	Fellow subsidiary	1,742	Within 4 months	56
China FAW Group Corporation	Third party	486	Within 3 months	16
China petroleum chemical industry Co., Ltd.	Third party	146	Within 4 months	5
China Petroleum Materials Corporation	Third party	139	Within 3 months	4
ANSC-TKS Changchun Steel Logistics Co., Ltd. ("TKAS-SSC")	Jointly controlled enterprise	111	Within 3 months	3
Total		2,624		84

(e) Receivables of the Group due from related parties for the period

There was an amount of 1,905 million receivables due from related parties at the ending balance, accounted for 61% of accounts receivable. The related parties transactions are disclosed in Note:9 (6)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(4) DIVIDEND RECEIVABLES

Items	Beginning balance	Increase of the period	Decrease of the period	Ending balance	Reasons for unreceived	Whether impaired
Dividends receivables aging with 1 year						
Of which: Zhuzhou Smelter Group Ltd. (Zhuzhou Group)		1		1		
TKAS (Changchun) Tailored Blanks Ltd ("TKAS")		6		6		
Total		7		7	Note	No

Note: Dividends receivable for the Group is the dividends or profits have been declared by the investee but not yet paid by the end of 30 June 2010.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(5) OTHER RECEIVABLES

(a) Classified by account nature

	Ending balance			
	Book balance		Bad debt provision	
Type	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Other receivables of insignificant amount	**18**	**100**		
Total	**18**	**100**		

	Beginning balance			
	Book balance		Bad debt provision	
Type	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables of insignificant amount	19	100		
Total	19	100		

Note: The Group regard other receivables above 10 million as other receivables with single significant amount.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(5) OTHER RECEIVABLES *(Continued)*

(b) Bad debt provision for other receivable at the end of the period

The management has opinion that most of other receivables at the end of the period can be repaid and debtors have capability of repayment, so percentage of provision is comparably low.

(6) PREPAYMENTS

(a) The aging analysis of prepayments

	Ending balance		Beginning balance	
Aging	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Within 1 year	**7,005**	**91**	5,241	85
1 to 2 years	**347**	**5**	521	8
2 to 3 years	**284**	**4**	450	7
Over 3 years	**5**			
Total	**7,641**	**100**	6,212	100

Note: The prepayments aged more than one year were prepaid to Angang Trade for importing equipment and spare parts.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(6) PREPAYMENTS

(b) Top five debtors were as follows:

Debtors	Relationship	Amounts	Aging	Reason for unsettlement
Angang Trade	Fellow subsidiary	5,548	Within 2 years	undue
China First Heavy Machinery Group Group	Third party	446	Within 3 years	undue
Tianjin Tiantie Metallurgy Trade Group Co., Ltd.	Third party	354	Within 1 year	undue
Shenyang Coking Coal Co., Ltd.	Third party	240	Within 1 year	undue
Tianjin Metallurgical Rolling Iron and Steel Group Co., Ltd	Third party	207	Within 1year	undue
Total		6,795		

(c) No amount due from shareholders with more than 5% (including 5%) of the voting shares of the Group was included in the above balance of prepayments.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(7) INVENTORIES

(a) An analysis of inventories by types

		Ending balance	
Items	Book value	Provision for diminution of inventory value	Carrying value
Raw materials	3,959	122	3,837
Work in progress	3,212	91	3,121
Finished goods	2,955	46	2,909
Consumables	1,373		1,373
Spare parts	2,377		2,377
Materials in transit	2		2
Outsourcing material	5		5
Total	13,883	259	13,624

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(7) INVENTORIES *(Continued)*

(a) An analysis of inventories by types *(Continued)*

Items	Book value	Beginning balance Provision for diminution of inventory value	Carrying value
Raw materials	2,681	23	2,658
Work in progress	2,671	10	2,661
Finished goods	1,580	9	1,571
Consumables	1,285		1,285
Spare parts	2,468		2,468
Materials in transit	4		4
Outsourcing material	11		11
Total	10,700	42	10,658

(b) An analysis of provision for diminution in value of inventories:

Items	Beginning balance	Provision withdrawn for the period	Decrease of the period		Ending balance
			Written back	Written off	
Raw materials	23	197		98	122
Work in progress	10	123		42	91
Finished goods	9	63		26	46
Total	42	383		166	259

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(7) INVENTORIES *(Continued)*

(c) Analysis of provisions for diminution in value of inventories

(i) The net realizable value of finished goods and the relevant raw materials is lower than the cost; therefore, provision for diminution in value of inventories is made at the end of the period.

(ii) The reason that Provision for diminution in value of inventories decreased was due to corresponding products had been sold, so the relevant provision had been transferred to cost of sale.

(8) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Items	**Ending balance**	Beginning balance
Available-for-sale equity instrument	**93**	161
Total	**93**	161

Note: The ending balance was decreased by 42% due to the Group subscribed 10 million A share common stock of Zhuzhou Group through non-public offering, Market value of the stock was 161 million at the end of the last year (RMB 16.16 per share). Market value of the stock was 93 million at the end of the period (RMB 9.38 per share).

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(9) INVESTMENT IN JOINTLY CONTROLLED ENTERPRISES AND ASSOCIATES

(i) Investment in jointly controlled enterprises

Name of investee	Type	Registration Place	Legal representative	Nature of business	Registered capital	The proportion of shareholding (%)	The proportion of voting-rights (%)
ANSC-TKS Galvanizing Co., Ltd ("ANSC-TKS")	Sino-Foreign Cooperative Venture	Dalian	Le Ku	Steel rolling	USD132 million	50	50
ANSC-Dachuan	Liability Company	Dalian	Daqing.Lin	Steel processing and sale	RMB380 million	50	50
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	Sino-Foreign Cooperative Venture	Changchun	Baojie.Li	Steel production and processing service	RMB90.374 million	50	50
TKAS-SSC	Sino-Foreign Cooperative Venture	Changchun	Yanping. Wang	Steel production, processing and sale	USD12 million	50	50

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(9) INVESTMENT IN JOINTLY CONTROLLED ENTERPRISES AND ASSOCIATES *(Continued)*

(i) Investment in jointly controlled enterprises *(Continued)*

Name of investee	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total revenue in the this period	Net profit in the this period
ANSC-TKS	2,689	936	1,753	2,276	374
ANSC-Dachuan	1,757	1,353	404	1,284	7
Changchun FAM	391	266	125	419	19
TKAS-SSC	476	391	85	449	11

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(9) INVESTMENT IN JOINTLY CONTROLLED ENTERPRISES AND ASSOCIATES *(Continued)*

(ii) Investment in associates

Name of investee	Type	Registration Place	Legal representative	Nature of business	Registered capital	The proportion of shareholding (%)	The proportion of voting-rights (%)
TKAS Angang Shenyang Steel Product Processing and Distribution Group Limited ("Angang Shenyang")	Limited Liability Group	Shenyang	Guangjie. Zhao	Tailored blanks processing	RMB48 million	30	30
TKAS	Sino-Foreign Joint Venture	Changchun	Manfred. Nag	Steel processing and logistic	USD10 million	45	45
Angang Entity Group Packaging Steel Belt Co., Ltd. (Angang Steel Belt)	Limited Liability Group	Anshan	Guangyu. Mao	Packaging steel belt and steel processing	RMB35.73 million	30	30
Angang Group Finance Company (Angang Finance)	Limited Liability Group	Anshan	Wanyuan. Yu	Deposit finance	RMB1,000 million	20	20
Tianjing Tantie Binhai Metallurgical Industry Co., Ltd. ("Binhai Industry")	Limited Liability Group	Tianjin	Deqi.Jia	Service	RMB5 million	30	30

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(9) INVESTMENT IN JOINTLY CONTROLLED ENTERPRISES AND ASSOCIATES *(Continued)*

(ii) Investment in associates *(Continued)*

Name of investee	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total revenue in the this period	Net profit in the this period
Angang Shenyang	148	99	49	302	1
TKAS	218	122	96	265	13
Angang Steel Belt	38	15	23	7	(3)
Angang Finance	20,688	18,839	1,849	296	190
Binhai Industry	18	7	11	84	4

(10) LONG-TERM EQUITY INVESTMENT

(a) An analysis of long-term equity investments by types

Items	Beginning balance	Increase of the period	Decrease of the period	Ending balance
Investment in jointly controlled enterprises	934	209	17	1,126
Investment in associates	465	45	75	435
Other equity investments	230	25		255
Less: Provision for impairment of long-term equity investment				
Total	1,629	279	92	1,816

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(10) LONG-TERM EQUITY INVESTMENT

(b) Details for long-term equity investments

Name of investee	Accounting method	Initial investment cost	Beginning balance	Variation of the period	Ending balance
ANSC-TKS	Equity method	533	652	178	830
ANSC-Dachuan	Equity method	190	198	4	202
Changchun FAM	Equity method	45	53	10	63
TKAS-SSC	Equity method	48	31	31	
Angang Shenyang	Equity method	14	13	(1)	12
TKAS	Equity method	37	43	43	
Angang Steel Belt	Equity method	11	9	(2)	7
Angang Finance	Equity method	315	398	(28)	370
WISDRI Engineering and Research Incorporation Limited("WISDRI")	Cost method	35	10	25	35
Heilongjiang Longmay Mining Group Co., Ltd. (Longmay Group)	Cost method	220	220		220
Binhai Industry	Equity method	2	2	1	3
Total			1,629	187	1,816

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(10) LONG-TERM EQUITY INVESTMENT

(b) Details for long-term equity investments

Name of investee	The proportion of Shareholding	The proportion of voting-rights	Note for difference between proportions of voting-rights and shareholding	Provision for impairment	Provision for impairment accrued this period	Cash dividends
	(%)	*(%)*				
ANSC-TKS	50	50				
ANSC-Dachuan	50	50				
Changchun FAM	50	50				
TKAS-SSC	50	50				
Angang Shenyang	30	30				
TKAS	45	45				
Angang Steel Belt	30	30				
Angang Finance	20	20				66
WISDRI	7	7				
Longmay Group	1	1				
Binhai Industry	30	30				
Total						66

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(11) FIXED ASSETS

(a) Analysis of fixed assets

Items	Beginning balance	Increase of the period	Decrease of the period	Ending Balance
Cost	77,357	4,003	61	81,299
Of which: Buildings and Plants	21,403	2,003	4	23,402
Machineries and Equipments	52,343	1,802	53	54,092
Others	3,611	198	4	3,805
Accumulated depreciation	23,424	3,485	40	26,869
Of which: Buildings and Plants	4,207	609	1	4,815
Machineries and Equipments	17,601	2,648	34	20,215
Others	1,616	228	5	1,839
Net book value	53,933			54,430
Of which: Buildings and Plants	17,196			18,587
Machineries and Equipments	34,742			33,877
Others	1,995			1,966
Provision for impairment	128	2	4	126
Of which: Buildings and Plants	16		2	14
Machineries and Equipments	109	2	2	109
Others	3			3
Book value	53,805			54,304
Of which: Buildings and Plants	17,180			18,573
Machineries and Equipments	34,633			33,768
Others	1,992			1,963

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(11) FIXED ASSETS *(Continued)*

(a) Analysis of fixed assets

Note:

(1) The depreciation of this period was 3,485 million.

(2) During this period, the cost that the construction in progress transferred into fixed assets was 4,002 million.

(3) According to the expert opinion of the asset management departments, provision for impairment is made for the fixed assets, which could not bring economic benefits to the enterprise, due to technological obsolescence, damage, or other reasons, and the provision amount to the difference between the carrying amount and recoverable amount. The recoverable amount was calculated based on estimated net cash flows arising from the normal usage during the estimated useful life and the asset disposal.

(b) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Book value	Notes
Buildings and Plants	2			2	Rebuild
Machineries and Equipments	78	40	30	8	Renovation
Others	14	11	3		Renovation
Total	94	51	33	10	

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(11) FIXED ASSETS *(Continued)*

(c) **The group had no financial leased fixed asset from others as at 30 Jun 2010.**

(d) **Operating leased fixed asset to others**

Items	Cost	*Notes*
Buildings and Plants	38	
Machineries and Equipments	6	
Total	44	

(12) CONSTRUCTION IN PROGRESS

(a) **Analysis of construction in progress**

	Ending balance			Beginning balance		
Items	**Book balance**	**Provision for impairment**	**Book value**	Book balance	Provision for impairment	Book value
Bayuquan project	**3,076**		**3,076**	3,240		3,240
Tiantie project	**1,071**		**1,071**	1,875		1,875
Putian cold rolling project	**14**		**14**			
New 4#, 5# furnace and furnace exterior project and 7# furnace improvement project	**178**		**178**	165		165

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(12) CONSTRUCTION IN PROGRESS *(Continued)*

(a) Analysis of construction in progress

Items	Ending balance Book balance	Ending balance Provision for impairment	Ending balance Book value	Beginning balance Book balance	Beginning balance Provision for impairment	Beginning balance Book value
Chemical plant phase III, benzene hydrogenation and substation renovation	**4**		**4**	2		2
High capability cold rolling silicon steel production line	**1,895**		**1,895**	2,988		2,988
Construction of new 3# casting machine	**333**		**333**	187		187
Seamless 177 petroleum pipeline production line	**217**		**217**	200		200
Wire production line renovation	**478**		**478**	326		326
Oxygen producers	**43**		**43**	194		194
Central power station phase II renovation	**80**		**80**	301		301
Rolling phase II and skin rolling project of western district	**9**		**9**	5		5
Others	**1,161**		**1,161**	1,105		1,105
Total	**8,559**		**8,559**	10,588		10,588

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(12) CONSTRUCTION IN PROGRESS *(Continued)*

(b) Change in main project of construction in progress

Items	Budget	Beginning balance	Increase of the period	Transferred into fixed assets	Other decrease	Ending balance
Bayuquan project	28,955	3,240	372	505	31	3,076
Tiantie project	5,975	1,875	892	1,691	5	1,071
Putian cold rolling project	3,500		14			14
New 4#, 5# furnace and furnace exterior project and 7# furnace improvement project	1,415	165	13			178
Chemical plant phase III, benzene hydrogenation and substation renovation	2,589	2	2			4
High capability cold rolling silicon steel production line	3,130	2,988	198	1,291		1,895
Construction of new 3# casting machine	955	187	146			333
Seamless 177 petroleum pipeline production line	817	200	17			217
Wire production line renovation	776	326	152			478
Oxygen producers	518	194	6	157		43
Central power station phase II renovation	350	301	13	234		80
Rolling phase II and skin rolling project of western district	253	5	4			9
Others		1,105	180	124		1,161
Total		10,588	2,009	4,002	36	8,559

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(12) CONSTRUCTION IN PROGRESS *(Continued)*

(b) Change in main project of construction in progress *(Continued)*

Items	Accumulated capitalized borrowing cost	Of which: capitalized this period	Capitalization rate (%)	Expenditure of budget (%)	Project progress (%)	Resource of capital
Bayuquan project	1,439	55	5.02	91	91	Self-financing, Special borrowings, Issued stock
Tiantie project	111	62	5.31	46	46	Self-financing
Putian cold rolling project	6	6	4.86	23	23	Self-financing, borrowings,
New 4#,5# furnace and furnace exterior project and 7# furnace improvement project	72	4	4.78	98	96	Self-financing
Chemical plant phase III, benzene hydrogenation and substation renovation	21		4.78	87	94	Self-financing
High capability cold rolling silicon steel production line	285	63	4.78	95	95	Self-financing
Construction of new 3# casting machine	12	8	4.78	35	35	Self-financing
Seamless 177 petroleum pipeline production line	31	4	4.78	90	90	Self-financing
Wire production line renovation	24	10	4.78	59	59	Self-financing
Oxygen producers	43	4	4.78	88	88	Self-financing
Central power station phase II renovation	21	5	4.78	84	84	Self-financing
Rolling phase II and skin rolling project of western district	11		4.78	83	88	Self-financing
Others	1,39	32				Self-financing,
Total	2,215	253				

Note: The self-financing consisted of non-special borrowings and gains from operating.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(12) CONSTRUCTION IN PROGRESS *(Continued)*

(c) **As at 30 Jun 2010, no book value of construction in progress was higher than its realizable value.**

(d) **Project schedule of main construction in progress**

Items	**Project progress** *(%)*
Bayuquan project	91
Tiantie project	46
Putian cold rolling project improvement project	23
New 4#, 5# furnace and furnace exterior project and 7# furnace	96
Chemical plant phase III, benzene hydrogenation and substation renovation	94
High capability cold rolling silicon steel production line	95
Construction of new 3# casting machine	35
Seamless 177 petroleum pipeline production line	90
Wire production line renovation	59
Oxygen producers	88
Central power station phase II renovation	84
Rolling phase II and skin rolling project of western district	88

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(13) CONSTRUCTION MATERIAL

Items	Beginning balance	Increase of the period	Decrease of the period	Ending Balance
Bayuquan project	2,192	45	1,600	637
Tiantie project	17	282	188	111
Putian cold rolling project		807		807
New 4#, 5# furnace and furnace exterior project and 7# furnace improvement project	2	4	6	
Chemical plant phase III, benzene hydrogenation and substation renovation	44	54	97	1
High capability cold rolling silicon steel production line	6	36	41	1
Construction of new 3# casting machine	6	84	77	13
Seamless 177 petroleum pipeline production line	1	4	4	1
Wire production line renovation	1	57	57	1
Oxygen producers				
Central power station phase II renovation	2	5	6	1
3rd furnace renovation	16			16
Others	47	124	76	95
Total	2,334	1,502	2,152	1,684

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(14) INTANGIBLE ASSETS

Items	Beginning balance	Increase of the period	Decrease of the period	Ending Balance
Total cost	7,680	63		7,743
Land use rights	7,639	51		7,690
software	9	12		21
Non-patented technology	32			32
Accumulative amortization	619	81		700
Land use rights	593	78		671
software	7	1		8
Industrial technology	19	2		21
Total net book value	7,061			7,043
Land use rights	7,046			7,019
software	2			13
Non-patented technology	13			11
Total provision for impairment				
Land use rights				
software				
Non-patented technology				
Total book value	7,061			7,043
Land use rights	7,046			7,019
software	2			13
Non-patented technology	13			11

Note: The amortization amount was 81 million this period

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(15) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES

(a) Recognized deferred income tax assets and deferred income tax liabilities

Items	Ending balance	Beginning balance
Deferred income tax assets		
Provision for diminution in value of inventories	**30**	10
Provision for impairment against fixed assets	**32**	32
Accumulated depreciation of fixed asset	**6**	5
Salaries payable	**46**	46
Termination benefits	**21**	25
Safety production expense	**13**	13
Employee training expenses	**10**	10
Adjustment for unrealized inter-company profit	**28**	28
Government grant	**28**	28
Deductible losses	**790**	915
Total	**1,004**	1,112
Deferred income tax liabilities		
Fair value variation on available-for-sale financial asset	**3**	20
Capitalized borrowing cost of general purpose loan	**41**	41
Total	**44**	61

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(15) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES *(Continued)*

(b) **There was no temporary difference or deductible loss in connection with which the deferred income tax assets were not recognized at end of the period.**

(c) **Temporary differences**

Items	**Amounts of the temporary differences**
Provision for diminution in value of inventories	119
Provision for impairment against fixed assets	128
Accumulated depreciation of fixed asset	22
Salaries payable	184
Termination benefits	84
Safety production expense	51
Employee training expenses	42
Adjustment for unrealized Inter-Group profit	112
Government grant	112
Deductible losses	3,162
Fair value variation on available-for-sale financial asset	12
Capitalized borrowing cost of general purpose loan	162
Total	4,190

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(16) PROVISIONS FOR IMPAIRMENT

Items	Beginning balance	Provision for this period	Decrease Written back	Decrease Written off	Ending balance
Provision for diminution in value of inventories	42	383		166	259
Provision for impairment against fixed assets	128	2		4	126
Total	170	385		170	385

(17) SHORT-TERM LOANS

(a) Analysis of short-term loans

Items	Ending balance	Beginning balance
Credit loan	**11,595**	13,710
Total	**11,595**	13,710

(b) There was no over-due short-term loan at the end of this period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(18) BILLS PAYABLE

Classification of bills	Ending balance	Beginning balance
Bank acceptance bills	**3,382**	3,509
Total	**3,382**	3,509

Note: The amount that would be due within the next accounting period was 3,382.

(19) ACCOUNTS PAYABLE

(a) Accounts payable classified according to natures

Items	Ending balance	Beginning balance
Accounts payable for purchasing	**3,789**	2,918
Construction cost	**120**	300
Operation expenses on supporting production	**42**	49
Freight	**30**	28
Others	**24**	23
Total	**4,005**	3,318

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(19) ACCOUNTS PAYABLE *(Continued)*

(b) The total amounts of accounts payable due to shareholders with more than 5% (including 5%) of the voting shares of the Group and other related parties at the end of the period were 156 million, the related party transaction disclosed in Note:9 (6).

(c) There was no significant accounts payable aged over 1 year at the end of the period.

(20) ADVANCES FROM CUSTOMERS

(a) Advances from customers classified according to natures

Items	Ending balance	Beginning balance
Sales of products	**4,432**	5,942
Total	**4,432**	5,942

(b) The total amounts of Advances from customers due from shareholders with more than 5% (including 5%) of the voting shares of the Group and other related parties at the end of the period were 580 million, representing 13% of the advances, and the related party transaction was disclosed in Note:9 (6).

(c) There were no large-amount advances from customers aged over 1 year at the end of the period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(21) EMPLOYEE BENEFITS PAYABLE

Items	Beginning balance	Accrued during this period	Paid during this period	Ending Balance
Salaries, bonus and allowance	236	772	706	302
Staff welfare		59	59	
Social insurance		254	254	
Therein: Pension insurance		155	155	
Medical insurance		74	74	
Staff and worker' injury insurance		10	10	
Unemployment insurance		15	15	
Housing fund		105	105	
Labor union fee and staff training fee	53	27	20	60
Termination benefits	37	45	64	18
Others		85	85	
Total	326	1,347	1,293	380

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(22) TAX AND SURCHARGES PAYABL

Items	Ending balance	Beginning balance
VAT	**(1,788)**	(2,113)
Enterprise income tax	**102**	(203)
Individual income tax	**12**	9
City maintenance and construction tax	**17**	14
Property tax	**(1)**	7
Education surcharges	**5**	6
Local education surcharges	**2**	2
Stamp tax	**7**	5
Land use tax	**(4)**	1
Taxes to be deducted	**(180)**	(24)
Deed tax	**2**	
Total	**(1,826)**	(2,296)

(23) INTEREST PAYABLE

Items	Ending balance	Beginning balance
Interests on short-term financing bond	**36**	
Total	**36**	

Note: Interest payables are the interest paid on 3,000 million short-term financing bonds issued by the Company.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(24) OTHER PAYABLES

(a) **Analysis of other payables**

Items	Ending balance	Beginning balance
Construction costs	**1,137**	1,611
Freight charges	**60**	95
Withholding tax payable	**3**	17
Deposit for steel shelves	**92**	43
Performance guarantee	**173**	162
Guarantee — project/spare parts	**931**	1,055
The Energy-saving and Emission-reducing funds transferred by Angang holding	**193**	193
Others	**198**	107
Total	**2,787**	3,283

(b) **The total amounts of other payables due to shareholders with more than 5% (including 5%) of the voting shares of the Group and other related parties in the end of the period were 741 million, representing 27% of other payables, the related party transaction disclosed in Note:9 (6).**

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(24) OTHER PAYABLES *(Continued)*

(c) The large-amount other payables aged over 1 year

Creditor	Ending balance	Reason	Whether paid after the balance sheet date
MCC Coking And Refractory Engineering Consulting Co.	104	Project quality margin	No
Angang Construction Group	85	Project quality margin	No
China Third Metallurgical Group Co., Ltd	82	Project quality margin	No
Northeast Geotechnical Investigation Co.,Ltd	37	Project quality margin	No
Shanghai Heavy Machine Co., Ltd	32	Spare parts and project quality margin	No
Others	659		
Total	999		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(25) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR

(a) Long-term liability due within 1 year

Items	Ending balance	Beginning balance
Long-term loans due within 1 year	**4,303**	7,653
Total	**4,303**	7,653

Note: Non-current liability due within 1 year has decreased by 44%, the reason of which is the payments made for the long-term liability due within 1 year.

(b) The analysis of long-term loans due within 1 year was as follows:

(i) The analysis of long-term loans due within 1 year

Items	Ending balance	Beginning balance
Guaranteed loans	**420**	315
Credit loans	**3,883**	7,338
Total	**4,303**	7,653

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(25) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR *(Continued)*

(b) The analysis of long-term loans due within 1 year was as follows: *(Continued)*

(ii) Top five long-term loans due within 1 year

Loaner	Commence date	Expiry date	Interest rate (%)	Ending balance	Beginning balance
Angang Finance	Jun 2008	Jun 2011	4.86	500	500
Industrial and Commercial Bank of China Anshan Branch	Mar 2009	Jul 2010	4.86	300	300
Industrial and Commercial Bank of China Anshan Branch	Jul 2007	Jul 2010	4.86	200	200
Industrial and Commercial Bank of China Anshan Branch	Jul 2007	Jul 2010	4.86	200	200
Bank of China Anshan Branch	Jan 2008	Jan 2011	4.86	200	200
Total				1,400	1,400

(iii) There were no overdue loans in long-term loans due within 1 year at the end of the period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(26) OTHER CURRENT LIABILITIES

Item	Content	Ending balance	Beginning balance
Deferred income	Superfast cooling techniques project	**31**	42
Deferred income	Cold rolled motor sheets	**6**	
Short-term financing bond		**3,000**	
Total		**3,037**	42

Note: Other current liabilities have increased, because the Company issued 3,000 million short-term financing bonds.

(27) LONG-TERM LOANS

(a) Classification of Long-term loans

Items	Ending balance	Beginning balance
Credit loans	**15,347**	11,502
Total	**15,347**	11,502

Note: The ending balance of the long-term loans was increased by 33% mainly due to (1) borrowings for working capital increased; (2) borrowings on Angang Putian Project increased.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(27) LONG-TERM LOANS

(b) Top five long-term loans

Loaner	Commence date	Expiry date	Interest rate (%)	Ending balance	Beginning balance
China Construction Bank branch in Tianjin Nankai Park	Aug 2006	Jan 2014	5.94	**980**	1,120
Bank of China Anshan Branch	Sep 2008	Sep 2011	4.86	**700**	700
Industrial and Commercial Bank of China Anshan Branch	Jul 2008	Dec 2011	5.18	**700**	700
Industrial and Commercial Bank of China Anshan Branch	Jul 2008	Dec 2012	5.18	**700**	700
Industrial and Commercial Bank of China Anshan Branch	Jul 2008	Jul 2013	5.18	**700**	700
Total				**3,780**	3,920

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(28) OTHER NON-CURRENT LIABILITIES

Items	Content	**Ending balance**	Beginning balance
Termination benefits	Employee benefits payable aged over 1 year	**65**	65
Deferred income	Grants for Military project	**30**	32
Deferred income	Grants for Metallurgical research and development	**3**	3
Deferred income	Central power project of No.1 power generation plant	**4**	4
Deferred income	Electroslag Remelting project	**35**	35
Deferred income	Blast furnace Iron-making technical platform	**3**	
Deferred income	Bayuquan Project	**112**	
Deferred income	Angang Putian Project	**26**	
Total		**278**	139

Note: (1) *Deferred income is government grants corresponding to asset the group received this period.*

(2) *Other non-current liabilities have increased by 100%, which is due to the increase of government grants received this period.*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(29) SHARE CAPITAL

Items	Beginning balance	Variation of the period: Issued new shares	Bonus shares	Shares transferred from accumulated fund	Others	Subtotal	Ending balance
(1) Ordinary A shares with restrictions on sale							
State-owned shares	4,341						**4,341**
(2) Shares with non-restriction on sale							
a. Ordinary A shares	1,808						**1,808**
b. Foreign shares listed overseas ("H shares")	1,086						**1,086**
Total	7,235						**7,235**

(30) CAPITAL RESERVE

Items	Beginning balance	Increase of the period	Decease of the period	Ending balance
Share premium	31,439			**31,439**
Other capital reserve	71		51	**20**
Total	31,510		51	**31,459**

Note: Reduction of other capital reserve was due to market value change on available-for-sale financial assets disclosed in the Note: 7 (8).

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(31) SPECIAL RESERVE

Items	Ending balance	Beginning balance
Safe production expenses	**67**	50
Total	**67**	50

Note: The ending balance of special reserve is increased by 34%, as safe production expenses increased.

(32) SURPLUS RESERVE

Items	Beginning balance	Increase of the period	Decease of the period	Ending balance
Statutory surplus reserve	3,357			**3,357**
Total	3,357			**3,357**

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(33) UNDISTRIBUTED PROFIT

(a) Changes of undistributed profit

Items	Amounts	Appropriation or distribution proportion
Undistributed profit at the end of last period before adjustment	10,280	
Adjustment for undistributed profit at the Beginning of period		
Undistributed profit at the end of last period after adjustment	10,280	
Add: Net profit attributable to owners of parent company during this period	2,750	
Recovery of losses from surplus reserve		
Other transferred-in		
Less: Appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Dividend to shareholder	434	
Dividend of ordinary shares transferred to share capital		
Undistributed profit at the end of period	12,596	

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(33) UNDISTRIBUTED PROFIT *(Continued)*

(b) The analysis of profit distribution:

(i) The Annual General Meeting of shareholders of 2008 reviewed and approved of the profit distribution plan for 2008 on 12 June 2009, based on the total share capital 7,234,807,847 shares as at 31 Dec. 2008. The Company declared cash dividend of RMB 0.21 per share to the ordinary shareholders, and distributed 1,291 million to ordinary A shareholders and 228 million to H shareholders respectively.

(ii) The Annual General Meeting of shareholders of 2009 reviewed and approved of the profit distribution plan for 2009 on 18 June 2010, based on the total share capital 7,234,807,847 shares as at 31 Dec. 2009. The Company declared cash dividend of RMB 0.06 per share to the ordinary shareholders, and distributed 369 million to ordinary A shareholders and 65 million to H shareholders respectively.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(34) OPERATING INCOME AND OPERATING COSTS

(a) Operating income and operating costs

Items	**This period**	Last period
Operating income from main operation	**43,937**	30,023
Other operating income	**103**	19
Total	**44,040**	30,042
Operating costs for main operation	**37,059**	28,961
Other operating costs	**123**	21
Total	**37,182**	28,982

Note: Operating income has increased by 47% which is due to (1) sales volume of steel increased; (2) price of steel raised.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(34) OPERATING INCOME AND OPERATING COSTS *(Continued)*

(b) Main operation classified according to industry

Name of industry	This period Operating income from main operation	This period Operating costs for main operation	Last period Operating income from main operation	Last period Operating costs for main operation
Ferrous metal smelting and steel rolling process	**43,937**	**37,059**	30,023	28,961
Total	**43,937**	**37,059**	30,023	28,961

(c) Main operation classified according to products

Name of products	This period Operating income from main operation	This period Operating costs for main operation	Last period Operating income from main operation	Last period Operating costs for main operation
Hot rolled products	**12,080**	**10,342**	12,079	11,730
Cold rolled products	**19,001**	**14,413**	9,059	8,907
Medium -thick plate	**7,609**	**7,353**	3,876	3,526
Others	**5,247**	**4,951**	5,009	4,798
Total	**43,937**	**37,059**	30,023	28,961

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(34) OPERATING INCOME AND OPERATING COSTS *(Continued)*

(d) Main operation classified according to regions

	This period		Last period	
Regions	**Operating income from operation**	**Operating costs for operation**	Operating income from operation	Operating costs for operation
China	**40,492**	**34,142**	29,272	28,308
Overseas	**3,548**	**3,040**	770	674
Total	**44,040**	**37,182**	30,042	28,982

(e) Top five clients

Name of clients	**Operating income**	**Proportion of total operating income** *(%)*
Angang Trade	3,779	9
China Shipbuilding Equipment & Materials Northeast Co.	3,222	7
ANSC-TKS	1,839	4
China FAW Group Corporation	1,057	3
China Railway Materials Shenyang Group	892	2
Total	10,789	25

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(35) BUSINESS TAX AND SURCHARGES

Items	**This period**	Last period	**Taxation basis and rate**
City maintenance and construction tax	**83**	41	7% of VAT and Business tax payable
Education surcharge and local education surcharge	**44**	24	3% and 1% of VAT and Business tax payable
Resources tax and Business Tax	**1**	2	
Custom duty	**4**	5	15% of FOB
Total	**132**	72	

Note: *Business tax and surcharges has increased by 83% comparing with last period due to increase of VAT resulted to the growth of city maintenance and construction tax and education and local education surcharges.*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(36) INVESTMENT INCOME

(a) Statement on investment income

Items	**This period**	Last period
Long-term equity investment income measured by employing equity method	**253**	(14)
Investment income from keeping available-for-sale financial assets	**1**	
Total	**254**	(14)

Note: There were no severe restrictions in the transfer of investment income to the Group.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(36) INVESTMENT INCOME *(Continued)*

(b) Long-term equity investment income measured by employing equity method

Investee	This period	Last period	Reason of change
Binhai Industry	1		
ANSC-TKS	190	(3)	
ANSC-Dachuan	4	4	
Changchun FAM	10	2	
TKAS-SSC	5	(1)	
TKAS	6	2	
Entity Packing	(1)	(1)	
Angang Finance	38	41	
Tianjin Tiantie		(58)	
Total	253	(14)	*Note*

Note: The investment income measured by employing equity method increased was due to the investees' net profit increased this period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(37) IMPAIRMENT LOSSES

Items	**This period**	Last period
Provision for diminution in value of inventories	**383**	612
Provision for impairment of fixed assets	**2**	
Total	**385**	612

Note: *The impairment losses decreased by 37% were due to the provision for diminution in value of inventories accrued less than Last period.*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(38) NON-OPERATING INCOME

(a) Particulars about non-operating income

Items	**This period**	Last period
Total gains from disposal of non-current assets	**13**	28
Including: Gains on fixed assets scrapped	**9**	28
Other gains on disposal of fixed assets	**4**	
Government grant	**12**	2
Payables that could not to be paid		36
Penalties	**2**	3
Total	**27**	69

Note: The non-operating income decreased by 61% comparing with last period mainly, as there was no unrecoverable payables to be written off.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(38) NON-OPERATING INCOME *(Continued)*

(b) Government grants

Items	This period	Last period
Scientific research subsidy	5	
Bayuquan project	4	
Military project grants	2	2
Superfast cooling techniques project	1	
Total	12	2

Note: The Group adopted income method to measure the government grants.

(39) NON-OPERATING EXPENSES

Items	This period	Last period
Total loss on disposal of non-current assets	18	13
Including: Loss on fixed assets scrapped	18	13
Total	18	13

Note: The non-operating expenses increased by 38% comparing with last period due to net losses on the disposal of fixed assets increased this period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(40) INCOME TAX EXPENSES

Items	This period	Last period
Income tax calculated according to the Law of Tax and relevant regulations	**724**	3
Adjustments on deferred income tax	**108**	(195)
Total	**832**	(192)

Note: The income tax expenses increased by 533% due to the profit before income tax is greater than last period.

(41) BASIC EPS AND DILUTED EPS

Profits of the reporting period	This period Basic EPS	This period Diluted EPS	Last period Basic EPS	Last period Diluted EPS
Net profit attributable to ordinary shareholders	**0.380**	**0.380**	(0.216)	(0.216)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	**0.379**	**0.379**	(0.222)	(0.222)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(41) BASIC EPS AND DILUTED EPS *(Continued)*

Note:

(a) *Calculation of basic EPS*

Basic EPS = $P_0 \div S$

$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$

P_0 refers to net profit attributable to ordinary shares and net profit (exclusive of non-operating profit) attributable to ordinary shares;

S refers to weighted average amount of ordinary shares issued;

S_0 refers to the sum of shares at the Beginning of the period;

S_1 refers to the increases of shares due to transferred from capital reserve or share dividend;

S_i refers to the increases of shares due to right issue or convertible bond;

S_j refers to the decreases of shares due to shares repurchase;

S_k refers to the decreases of shares due to stock reserve split-up in the reporting period;

M_0 refers to the number of months in the reporting period;

M_i refers to the number of months from the next month of that increase of shares to the end of the period;

M_j refers to the number of months from the next month of that decrease of shares to the end of the period;

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(41) BASIC EPS AND DILUTED EPS *(Continued)*

Note: (Continued)

(b) Calculation of diluted EPS

Diluted EPS = $P_1 \div (S_0+S_1+S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$+increase of weighted average amount of ordinary shares due to warrant, share option or convertible bond)

P_1 refers to net profit attributable to ordinary shares and net profit (exclusive of non-operation profit) attributable to ordinary shares, consider the effects of the dilution potential ordinary shares and modulate it according to "Enterprise Accounting Principle" and the relevant regulations.

When calculating the diluted earning per share, all effects of diluted potential ordinary shares on P_1 and weighted average shares shall be taken into consideration. The dilution potential ordinary shares shall be included in diluted EPS according to the degree of dilution in descEnding order, until the diluted earning per share reach the minimum amount.

(42) OTHER COMPREHENSIVE INCOME

Items	This period	Last period
Gain/loss from the available-for-sale financial assets	**(68)**	90
Minus: Income tax impact resulted from the available-for-sale financial assets	**17**	(23)
Total	**(51)**	67

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(43) SUPPLEMENT TO CASH FLOW STATEMENT

(a) Reconciliation of net profit to cash flows from operating activities

Supplement	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	**2,759**	(1,563)
Add: Provision for impairment	**215**	612
Depreciation of fixed assets	**3,485**	2,925
Amortization of intangible assets	**81**	77
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets("-" for gains)	**(4)**	
Loss on scrap of fixed assets	**9**	(15)
Loss on the change of fair value		
Financial expenses	**547**	318
Investment loss	**(254)**	14
Decrease in deferred tax assets ("-" for increase)	**108**	(192)
Increase in deferred tax liabilities ("-" for decrease)		(3)
Decrease in inventories ("-" for increase)	**(3,223)**	(267)
Decrease in operating receivables ("-" for increase)	**(2,335)**	(712)
Increase in operating payables ("-" for decrease)	**250**	206
Others	**35**	15
Net cash flow from operating activities	**1,673**	1,415

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(43) SUPPLEMENT TO CASH FLOW STATEMENT *(Continued)*

(a) Reconciliation of net profit to cash flows from operating activities *(Continued)*

Supplement	**This period**	Last period
2. Change in cash and cash equivalents		
Cash at the end of the period	**1,953**	1,646
Less: cash at the Beginning of the period	**2,242**	2,974
Add: cash equivalents at the end of the period		
Less: cash equivalents at the Beginning of the period		
Net increase in cash and cash equivalents	**(289)**	(1,328)

(b) Composition of cash and cash equivalents

Items	**This period**	Last period
1. Cash at bank and on hand	**1,953**	1,646
Of which: Cash	**1**	1
Bank deposits available	**1,220**	1,645
Other deposits available	**732**	
2. Cash equivalents		
Of which: Bond due within 3 months		
3. Ending balance of cash and cash equivalents	**1,953**	1,646

Note: There were no restrictions on the cash and cash equivalents at the end of the period.

8. ACCOUNTING TREATMENT OF ASSET SECURITIZATION

The Group had no operation about asset securitization this period.

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS

(1) INFORMATION ON THE PARENT OF THE GROUP

Group name	Related relationship	Group Type	Registration place	Legal representatives	The nature of business
Angang Holding	Parent Company	State owned Company	Tie Xi District Anshan Liaoning Province	Xiaogang Zhang	Production and sale of steel and metal products, steel filament Tubes, and metal structures

Group name	Registered Capital	The Group's shareholding *(%)*	Proportion of voting-right *(%)*	Ultimate controlling party	Organization Code
Angang Holding	10,794	67.29	67.29	Angang Holding	24142001-4

(2) INFORMATION ON THE SUBSIDIARY OF THE GROUP

Disclosed in Note 6(1).

(3) INFORMATION ON THE JOINTLY CONTROLLED ENTERPRISES AND ASSOCIATES OF THE GROUP

Disclosed in Note 7(9).

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(4) RELATED PARTIES WITHOUT CONTROL RELATIONSHIP

Name of enterprise	Relation with the Company	Organization code
ANSC-TKS	Jointly controlled enterprise	71093688-2
TKAS-SSC	Jointly controlled enterprise	785926056
Changchun FAM	Jointly controlled enterprise	76717649-0
ANSC-Dachuan	Jointly controlled enterprise	75990387-0
TKAS	Associate	767159789
Angang Finance	Associate	1188857-2
Binhai Industry	Subsidiary's associate	671473722
Angang Trade	Fellow subsidiary	24142372-5
Angang Construction Group	Fellow subsidiary	94129158-3
Angang Heavy machine Co., Ltd	Fellow subsidiary	24150326-6
Angang Fire-resistant material Co	Fellow subsidiary	94126547-3
Angang Steel rope Co., Ltd.	Fellow subsidiary	94126496-4
Angang Anshan Mining Co	Fellow subsidiary	24150404-X
Angang Entity Group	Fellow subsidiary	24142765-4
Angang House Property Co.	Fellow subsidiary	94126840-4
Angang Railway Transport Facilities Construction Co.	Fellow subsidiary	94121854-6
Angang Real Estate Co., Ltd	Fellow subsidiary	11886337-0
Angang Mechanization Loading Co.	Fellow subsidiary	94126489-2
Angang Mine Construction	Fellow subsidiary	664557266
Angang Engineering Technology Co., Ltd.	Fellow subsidiary	79159132-8
Angang Electric Co., Ltd	Fellow subsidiary	94126485-X
Angang Automation Co.	Fellow subsidiary	94126643-3
Angang Auto Transport Co., Ltd	Fellow subsidiary	94126444-6
Angang Reception Service Co.	Fellow subsidiary	94121967-X

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS

(a) Purchase/Sales, Receive/Render services from/to Angang Holding and its subsidiaries

Items	Contents	Pricing Policy	This Period Amount	This Period Percent of related transactions	Last Period Amount	Last Period Percent of related transactions
						(%)
Purchase of Goods	Raw materials	Note 1	**6,463**	**63**	8,011	81
	Ancillary materials	Note 2	**699**	**11**	738	16
	Energy and power supplies	Note 3	**928**	**32**	979	39
Total			**8,090**		9,728	
Services Received	Support services	Note 4	**2,311**	**66**	2,715	52
Total			**2,311**		2,715	
Sales of Goods	Products		**4,056**	**9**	1,968	7
	Scrap and waste materials	Note 5	**58**	**79**	77	91
Total			**4,114**		2,045	
Services Rendered	General services	Note 6	**222**	**35**	269	43
Total			**222**		269	

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS *(Continued)*

(a) Purchase/Sales, Receive/Render services from/to Angang Holding and its subsidiaries *(Continued)*

Notes:

(1) The purchase price, ascertained and modified on a semi-annual basis, is mainly not higher than the average prices quoted to the Group for importing principal raw materials of similar quality plus freight charges in the previous interim year and adjustment for grade, an extra 5% discount on the importing average prices; Or the average prices charged by independent suppliers plus 10% mark up of processing costs (if applicable);

(2) The selling prices are not higher than the average prices charged to independent customers for the preceding month.

(3) Mainly at state prices, or operating costs plus 5% of gross profit margin.

(4) At state prices, market prices, not higher than 1.5% of the commissions, depreciation fees and maintenance costs, labour, materials and management fees, and processing costs plus no more than 5% of the gross margin.

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS *(Continued)*

(a) Purchase/Sales, Receive/Render services from/to Angang Holding and its subsidiaries *(Continued)*

Notes: (Continued)

(5) The steel products and scrap materials are mainly at selling prices based on the average prices charged to independent customers for the preceding month or market prices. The basis of the price of the steel products offered to Angang Holding for development of new products is, if there is market price, at the market price, if there is no market price, at the cost plus a reasonable profit.

The minus sieve powder is at prices for sintered iron ore less the cost of sintering procedures performed by Angang Holding.

(6) At the state prices, operating costs plus 5% of gross profit margin, or market prices.

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS *(Continued)*

(b) Guarantee of loans

Guarantor	Guaranteed party	Amount Guaranteed	Starting date	Expiring date	Whether fulfilled
Angang Holding	The Company	2,000	Aug 2008	Jun 2015	No
Tiantie Group	Tianjin Tiantie	3,885	Aug 2006	Jan 2014	No

(c) Assets transferred

			This period		Last period	
Type	Content	Pricing policy	Amount	Percent of related transactions (%)	Amount	Percent of related transactions (%)
Purchase	Fixed assets	Market price	**65**	**100**	*85*	*100*
Total			**65**		**85**	

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS *(Continued)*

(d) Other related parties transactions

(i) Received agency service from Angang Trade.

The Group received agency services for domestic sales and export of products amount to 3.06 million tons and 0.81million tons respectively for the six months ended 30 June 2010 (4.03 million tons and 0.17 million tons for the last period).

(ii) Sales of products from The Group to the jointly controlled enterprises and the associates:

A. Sales of products

Name of enterprise	Sales in this period	Sales in Last period
ANSC-TKS	**1,839**	548
TKAS-SSC	**221**	125
Changchun FAM	**48**	34
Binhai Industry	**30**	
TKAS	**1**	1

B. Received agency service from TKAS-SSC

The Group received agency services for domestic sales of products from TKAS-SSC amount to 3 million tons for this period (last period: nil).

C. The Group received supporting services from Binhai Industry amount to 55 million for the period.

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS *(Continued)*

(d) Other related parties transactions *(Continued)*

(iii) Loan deposit, interest paid in/to Angang Finance

Items	Annual interest rate *(%)*	Ending balance	Increased	Decreased	Ending balance	Terms of credit
Loan	4.374-4.860	9,600	8,100	9,100	8,600	Credit
Deposit		1,288	179,730	180,536	482	

The Group's interest income of deposit from Angang Finance is 5 million (last period: 4 million) and the interests for borrowing was 203 million (last period: 123 million).

(iv) Directors' and supervisors' remunerations

The major management personnel's remuneration amounted to 1 million for the period (last period:1 million).

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES

Items	Name of related parties	Ending balance	Beginning balance
Accounts receivable	Angang Trade	**1,742**	896
	TKAS-SSC	**111**	98
	Angang Construction Group	**25**	
	Angang Steel rope Co., Ltd.	**11**	
	Angang Heavy machine Co., Ltd	**10**	16
	Angang Engineering Technology Co., Ltd.	**3**	
	Angang Electric Co., Ltd	**2**	3
	Angang Holding	**1**	2
	Angang House Property Co.		5
	Angang mechanization loading Co.		1
	Total	**1,905**	1,021
Prepayment	Angang Trade	**5,548**	4,551
	Angang Automatism Co	**47**	35
	Angang Construction Group	**45**	2
	Angang Heavy machine Co., Ltd	**23**	10
	Angang Electric Co., Ltd	**8**	
	Angang Engineering Technology Co., Ltd.	**6**	28
	Binhai Industry		1
	Total	**5,677**	4,627

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES *(Continued)*

Items	Name of related parties	Ending balance	Beginning balance
Accounts payable	Angang Entity Group	**28**	22
	Angang Anshan Mining Co	**28**	
	Angang Holding	**20**	3
	Angang Trade	**18**	11
	Angang Construction Group	**17**	12
	Angang Auto Transport Co., Ltd	**13**	12
	Binhai Industry	**11**	9
	Angang Heavy machine Co., Ltd	**9**	1
	Angang mine Construction Co.	**4**	4
	Angang House Property Co.	**3**	4
	Angang Steel rope Co., Ltd.	**2**	3
	Angang Electric Co., Ltd	**2**	1
	Angang Automatism Co	**1**	2
	Total	**156**	84
Advance from customers	Angang Trade	**446**	1,238
	ANSC-TKS	**98**	366
	Angang Entity Group	**17**	7
	Changchun FAM	**14**	6
	Angang Anshan Mining Co.	**5**	7
	Angang Construction Group		8
	TKAS		2
	Angang Steel rope Co., Ltd.		2
	Total	**580**	1,636

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES *(Continued)*

Items	Name of related parties	Ending balance	Beginning balance
Other payables	Angang Construction Group	**250**	322
	Angang Holding	**197**	199
	Angang Trade	**105**	263
	Angang Heavy machine Co., Ltd	**41**	47
	Angang Automatism Co	**41**	32
	Angang Entity Group	**33**	33
	Angang Engineering Technology Co., Ltd.	**23**	21
	Angang mine Construction Co.	**18**	21
	Angang Electric Co., Ltd	**15**	17
	Angang House Property Co.	**8**	9
	Angang Railway transport facilities Construction Co.	**6**	1
	Angang Auto Transport Co., Ltd	**3**	4
	Binhai Industry	**1**	
	TKAS-SSC		1
	Total	**741**	970

10. SHARE-BASED PAYMENT

As at 30 June 2010, the Group had no share-based payment.

11. CONTINGENCIES

As at 30 June 2010, there were no contingencies that need to be disclosed.

12. CAPITAL COMMITMENT

(1) SIGNIFICANT CAPITAL COMMITMENT

	This period	Last period
Investment contracts entered into but not performed or performed partially	**318**	318
Construction and renovation contracts entered into but not performed or performed partially	**3,891**	2,764
Total	**4,209**	3,082

(2) PERFORMANCE OF THE CAPITAL COMMITMENT OF LAST YEAR

The construction and renovation contracts signed in 31 December 2009 but not performed or performed partially had been performed with 329 million by 30 June 2010.

13. EVENTS AFTER THE BALANCE SHEET DATE

(1) SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Group had no significant events after the balance sheet date.

(2) DISTRIBUTION OF THE PROFIT AFTER BALANCE SHEET DATE

Disclosed in note 7(33) (b).

14. OTHER SIGNIFICANT TRANSACTION

As at 30 June 2010, the Group had no other significant transactions.

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT

(1) ACCOUNTS RECEIVABLE

Disclosed in note: 7(3).

(2) OTHER RECEIVABLES

	Ending balance			
	Book balance		**Bad debt Provision**	
Items	**Amounts**	**Proportion (%)**	**Amounts**	**Proportion (%)**
Other insignificant receivables	**15**	**100**		
Total	**15**	**100**		

	Beginning balance			
	Book balance		Bad debt Provision	
Items	Amounts	Proportion (%)	Amounts	Proportion (%)
Other insignificant receivables	12	100		
Total	12	100		

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(3) LONG-TERM EQUITY INVESTMENT

Investee	Accounting method	Initial investment cost	Beginning balance	Variation of the period	Ending balance
ANSC-TKS	Equity method	533	652	178	830
ANSC-Dachuan	Equity method	190	198	4	202
Changchun FAM	Equity method	45	53	10	63
TKAS-SSC	Equity method	48	31		31
Angang Shenyang	Equity method	14	13	(1)	12
TKAS	Equity method	37	43		43
Angang Steel Belt	Equity method	11	9	(2)	7
Angang Finance	Equity method	315	398	(28)	370
Angang Wuhan	Cost method	60	60		60
Tianjin Tiantie	Cost method	1,407	1,407		1,407
Angang Putian	Cost method	800		800	800
WISDRI	Cost method	35	10	25	35
Longmay Group	Cost method	220	220		220
Total			3,094	986	4,080

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(3) LONG-TERM EQUITY INVESTMENT *(Continued)*

Investee	Proportion of shareholding	Proportion of voting-rights	Note for difference between proportions of voting-rights and shareholding	Provision for impairment	Provision for impairment accrued in the this period	Cash dividends
	(%)	*(%)*				
ANSC-TKS	50	50				
ANSC-Dachuan	50	50				
Changchun FAM	50	50				
TKAS-SSC	50	50				
Angang Shenyang	30	30				
TKAS	45	45				
Angang Steel Belt	30	30				
Angang Finance	20	20				66
Angang Wuhan	100	100				
Tianjin Tiantie	50	50				
Angang Putian	100	100				
WISDRI	7	7				
Longmay Group	1	1				
Total						66

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(4) OPERATING INCOME AND OPERATING COSTS

(a) Operating income and operating cost

Items	**This period**	Last period
Operating income from main operation	**43,209**	30,023
Other operating income	**19**	19
Total	**43,228**	30,042
Operating costs for main operation	**36,416**	28,961
Other operating costs	**48**	21
Total	**36,464**	28,982

(b) Main operation classified according to industry

	This period		Last period	
Industry nature	**Operating income from main operation**	**Operating costs for main operation**	Operating income from main operation	Operating costs for main operation
Ferrous metal smelting and steel rolling process	**43,209**	**36,416**	30,023	28,961
Total	**43,209**	**36,416**	30,023	28,961

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(4) OPERATING INCOME AND OPERATING COSTS *(Continued)*

(c) Main operation classified according to product

Product types	This period Operating income from main operation	This period Operating costs for main operation	Last period Operating income from main operation	Last period Operating costs for main operation
Hot-rolled products	**13,400**	**11,645**	12,079	11,730
Cold-rolled products	**16,953**	**12,467**	9,059	8,907
Medium-thick plates	**7,609**	**7,353**	3,876	3,526
Others	**5,247**	**4,951**	5,009	4,798
Total	**43,209**	**36,416**	30,023	28,961

(d) Main operation classified according to regions

Regions	This period Operating income	This period Operating costs	Last period Operating income	Last period Operating costs
China	**39,680**	**33,424**	29,272	28,308
Abroad	**3,548**	**3,040**	770	674
Total	**43,228**	**36,464**	30,042	28,982

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(4) OPERATING INCOME AND OPERATING COSTS *(Continued)*

(e) Top five customers

Customers	**Operating income**	**Proportion of total operating income** *(%)*
Angang Trade	3,348	8
China Shipbuilding Equipment & Materials Northeast Corporation	3,222	7
ANSC-TKS	1,839	5
Tianjin Tiantie	1,320	3
China FAW Group Corporation	1,057	2
Total	10,786	25

(5) INVESTMENT INCOME

(a) Statement on investment

Items	**This period**	Last period
Long-term equity investment income measured by employing equity method	**252**	(14)
Investment income from keeping available-for-sale financial assets	**1**	
Total	**253**	(14)

Note: There were no major restrictions in the transfer of investment income to the Group.

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(5) INVESTMENT INCOME *(Continued)*

(b) Long-term equity investment income measured by employing equity method

Investee	This period	Last period	Reason of change
ANSC-TKS	190	(3)	
ANSC-Dachuan	4	4	
Changchun FAM	10	2	
TKAS-SSC	5	(1)	
TKAS	6	2	
Angang Steel Belt	(1)	(1)	
Angang Finance	38	41	
Tianjin Tiantie		(58)	
Total	252	(14)	Note

Note: The investment income increased comparing with last period was due to the investees' net profit increased in this period.

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(6) SUPPLEMENT TO CASH FLOW STATEMENT

Supplement	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	**2,760**	(1,563)
Add: Provision for impairment	**215**	612
Depreciation of fixed assets	**3,389**	2,925
Amortization of intangible assets	**76**	77
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets("-" for gains)	**(4)**	
Loss on scrap of fixed assets	**9**	(15)
Loss on the change of fair value		
Financial expenses	**517**	318
Investment loss	**(253)**	14
Decrease in deferred tax assets ("-" for increase)	**98**	(192)
Increase in deferred tax liabilities ("-" for decrease)		(3)
Decrease in inventories ("-" for increase)	**(2,716)**	(267)
Decrease in operating receivables ("-" for increase)	**(1,969)**	(712)
Increase in operating payables ("-" for decrease)	**(829)**	206
Others	**35**	15
Net cash inflow from operating activities	**1,328**	1,415

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(6) SUPPLEMENT TO CASH FLOW STATEMENT *(Continued)*

Supplement	**This period**	Last period
2. Change in cash and cash equivalents		
Cash at the end of the period	**337**	1,586
Less: Cash at the Beginning of the period	**1,138**	2,914
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the Beginning of the period		
Net increase in cash and cash equivalents	**(801)**	(1,328)

16. SUPPLEMENTARY DOCUMENTS

(1) EXTRAORDINARY GAINS AND LOSSES

Items	Amounts	*Note*
Gains/losses from disposal of non-current assets	4	
Tax refund or exemption from unauthorized approval or non-official approved document or contingency		
Government grant which recorded into profit/loss of current period except that relevant to enterprise operation and in compliance with government policies	12	
Capital occupation income from non-financial enterprise credited to current income statement		
Gains from the excess of the enterprise share of the net fair value of identifiable net assets over the cost of acquisition of the subsidiary, jointly controlled entity and associate		
Gains/losses from the exchange of non-monetary assets		
Gains/losses from trusted investment or assets of management		
Losses on provision for impairment of assets due to force majeure i.e. natural disaster		
Debt restructuring gains/losses		
Restructuring expense, i.e. employee placement, integration costs etc.		
Gains/losses from the excess over fair value of an unfair transaction		
Current net profit/loss of subsidiary under the common control from the Beginning of the period of consolidation to the consolidation date		
Gains/losses from contingencies irrelevant to the normal operations		
Investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets and gains/losses from variation of fair value of trading financial assets, trading financial liabilities and available-for-sale financial assets except the hedging relevant to the principal business		

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(1) EXTRAORDINARY GAINS AND LOSSES *(Continued)*

Items	Amounts	*Note*
Written back of the provision for impairment of accounts receivable under the independent test		
Gains/losses from trusted loan		
Gains/loss from variation of fair value of investment property		
Effects of one-off adjustment on current profit/loss in accordance with taxation and accounting regulations		
Hosting income from entrusted operations		
Other non-operating income and expense Except above	–7	
Other extraordinary gains/ losses		
Subtotal	9	
Effect on taxation	–2	
Effect on minority interest (after tax)		
Total	7	

Note: "+" refer to gains or incomes, "-" refer to losses or expenditures

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(2) THE DIFFERENCE BETWEEN IFRS AND PRC GAAP

		The group				Attributable to ordinary shareholders			
		Net profit		Net assets		Net profit		Net assets	
	Note	**This period**	Last period	**Ending balance**	Beginning balance	**This period**	Last period	**Ending balance**	Beginning balance
Under PRC GAAPs		**2,759**	(1,563)	**56,089**	53,798	**2,750**	(1,563)	**54,714**	52,432
Adjustment:									
– Safety production expenses	①	**17**	19			**17**	19		
– Deferred income tax assets	②		(5)	**(13)**	(13)		(5)	**(13)**	(13)
Under IFRSs		**2,776**	(1,549)	**56,076**	53,785	**2,767**	(1,549)	**54,701**	52,419

Note: ① *Pursuant to the interpretation to the enterprise accounting standard (CAI QI [2006] No.478), safe production provision should be accrued based on the production amount or operating income by the Group related to the industry of mining, construction, production of dangerous goods and road transport, but the provision could be recorded to profit and loss only when they are actual paid under IFRSs.*

② *Based on above-mentioned adjustments, deferred assets and income tax expense had been recognized by liability method in light of IFRSs.*

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(3) ROE AND EPS

Profit in this period	Period	Weighted average ROE	EPS (Yuan per share) Basic EPS	Diluted EPS
		(%)		
Net profit attributable to ordinary shares	6 months ended 30 Jun 2010	5.11	0.380	0.380
	6 months ended 30 Jun 2009	(2.99)	(0.216)	(0.216)
Net profit (exclusive of non-operating profit) attributable to ordinary shares	6 months ended 30 Jun 2010	5.10	0.379	0.379
	6 months ended 30 Jun 2009	(3.07)	(0.222)	(0.222)

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(3) ROE AND EPS *(Continued)*

Note: (i) Weighted average ROE $=P_0/(E_0+NP\div 2+E_i\times M_i\div M_0-E_j\times M_j\div M_0\pm E_k\times M_k\div M_0)$

P_0 refers to the net profit attributable to ordinary shares and net profit (exclusive of non-operating profit) attributable to ordinary shares

NP refers to the net profit attributable to ordinary shares

E_0 refers to the net assets attributable to ordinary shares

E_i refers to the additional of net assets attributable to ordinary shares resulted from issuing the new shares or converting from convertible debentures in report period

E_j refers to the reduction of net assets attributable to ordinary shares resulted from share repurchase or cash dividend in report period

M_0 refers to the months of reporting period.

M_i refers to the duration from the second month since the additional of share capital occurred to the end of reporting period

M_j refers to the duration from the second month since the share capital withdrawn occurred to the end of reporting period

E_k refers to the change of net assets resulted from other transaction and matters

M_k refers to the duration from the second month since the variation of net assets resulted form other transaction and matters occurred to the end of reporting period

(ii) *Basic EPS and Diluted EPS disclosed in note 7(39).*

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS

There are following risks pursuant to the financial instrument adopted by the Group:

— Credit risk;

— Liquidity risk;

— Interest rate risk;

— Foreign currency risk

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks, etc.

The Group's risk management policies are established to identify and analyze the risks confronted by the Group, to set appropriate risk limits and control program, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk

The Group's credit risk is primarily attributable to receivables. Exposure to these credit risks are monitored by management on an ongoing basis.

In respect of receivables, the Group has established a credit policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires most of the customer prepay full amount either in cash or by issuing bills before delivering goods to them. Receivables are due within 1 to 4 months from the date of billing. Debtors with balances that are more than one months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Most of the Group's customers have been transacting with the Group for many years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to some factors, such as ageing and maturity date.

As at 30 June 2010, there were no significant debtors that were past due and impaired.

At the balance sheet date, the Group had a certain concentration of credit risk, as 83.89% of the total accounts receivable and other receivables was due from the Group's top five buyers.

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 other guarantees resulted in credit risk.

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

The Group is responsible for their own cash management, including short term investment for temporary cash redundancy and the raising of loans to satisfy expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

The interest-bearing financial instruments held by the Group at 30 June 2010 are set out at Note 7(1), (17), (25) and (27).

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.

As at 30 June 2010, it is estimated that a general increase of one percentage point in interest rates of cash at bank and on hand, short-term loans, non-current liabilities due within 1 year, long-term borrowings and long-term payables, with all other variables held constant, would decrease the Group's net profit and equity by RMB 145 million (2009: RMB 126 million).

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

The above sensitivity analysis has been ascertained assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the Group's exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next annual balance sheet date. The analysis was performed on the same basis for 2009.

(d) Foreign currency risk

The Group did not have a significant foreign currency risk exposure arising from its exports products and importing raw material for production and equipment for projects as the Group adopts locked exchanges rates to settle the amounts with main export and import agent.

(i) The Group's exposure to currency risk based on nominal amounts at 30 June 2010 is set out at Note 7(25) and (27).

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk *(Continued)*

(ii) The following are the major exchange rates applied by the Group:

	Average rate		Reporting date mid-spot rate	
	6 months ended 30 June 2010	6 months ended 30 June 2009	**6 months ended 30 June 2010**	6 months ended 30 June 2009
Japanese yen	**0.0750**	0.0715	**0.0767**	0.0711
Euro	**8.94**	9.15	**8.27**	9.64

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk *(Continued)*

(iii) Sensitivity analysis

A 5% appreciation of the RMB against the Japanese yen, Euro and HK dollar at 30 June 2010 would have decreased /increased equity and profit or loss by the amount shown below:

		Shareholder's equities *(RMB Million)*	**Profit and losses** *(RMB Million)*
30 Jun 2010	Japanese yen	(6)	(6)
	Euro	(1)	(1)
31 Dec 2009	Japanese yen	(10)	(10)
	Euro	(1)	(1)

A 5% depreciation of the RMB against the Japanese yen, Euro at 30 June 2010 would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remain constant.

The above sensitivity analysis has been ascertained assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date. The stated changes represent management's assessment of a reasonably possible change in foreign exchange rates over the year until the next annual balance sheet date. The analysis was performed on the same basis for 2009.

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(5) ANALYSIS OF THE UNUSUAL SITUATION ABOUT MAIN ITEMS OF THE FINANCIAL STATEMENTS

(a) Items on profit and loss statement

(i) The selling expenses this period was 767 million, which increased by 77% comparing with last period, was mainly because of (i) the increase of freight, commission fees and sales services arising from the growth of steel exports; (ii) the growth of sales of steel settled by CIF price caused the freight increased; (iii) packing expenses increased due to the price of packaging materials increased; (iv) selling expenses grew by consolidating Tianjin Tiantie.

(ii) The financing expenses this period was 569 million, which increased by 77% comparing with last period, was mainly because of (i) the decrease of capitalization interest arising from the decrease of the project accumulated expenditure; (ii) the raise of interest expenses and bank charges arising from the issue of short-term financing bond; (iii) financial expenses increased due to the consolidation of Tianjin Tiantie.

(b) Items on cash flow statement

(i) The net cash outflow from investing activities this period was 2,094 million, which decreased by 39% comparing with last period, mainly because the expenditure for fixed assets and construction in progress reduced.

(ii) The net cash inflow from financing activities this period was 132 million, which decreased by 80% comparing with last period, was mainly because of the increase of cash repayments on borrowings.

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

1. Counterpart of 2010 interim report of the Company signed by the Chairman;

2. Counterpart of financial report signed and affixed with the seal by the Legal Representative, person in charge of accounting and Head of the Accounting Department of the Company;

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

4. Counterpart of the Articles of Association of the Company;

5. Interim report of the Company disclosed in the Hong Kong stock market.

The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited*, at 1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC.

Note: This report is prepared in both Chinese and English. The Chinese version shall prevail in case of any inconsistency in the interpretation of the two versions.

Board of Directors
Angang Steel Company Limited*
17 August 2010