鞍鋼股份有限公司

ANGANG STEEL COMPANY LIMITED*

(Stock Code: 0347)

Interim Report 2011

* For identification purposes only

Important: The board of directors (the "Board"), the supervisory committee (the "Supervisory Committee"), the directors, the supervisors and the senior management of Angang Steel Company Limited* (鞍鋼股份有限公司) (the "Company") 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 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 2011 together with the comparative figures as stated herein.

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

"Angang Holding"	Anshan Iron and Steel Group Complex*
"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 2011, the Company controlled the following 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), Angang Cold Rolled Steel Plate (Putian) Co., Ltd.*(鞍鋼冷軋鋼板(莆田)有限公司) and Angang Steel Materials Delivery (Hefei) Co., Ltd.* (鞍鋼鋼材配送(合肥)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 **2011**	2010
Profit attributable to owners of the Company	**236**	2,767
Earnings per share (basic)*(RMB)*	**0.033**	0.382
Return on net assets (weighted average)	**0.44%**	5.14%

Items	**30 June 2011**	31 December 2010
Total assets	**106,447**	107,119
Equity attributable to owners of the Company	**53,195**	54,052
Liabilities to assets ratio	**48.90%**	48.35%
Net assets per share *(RMB)*	**7.35**	7.47

PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS

Unit: RMB million

Items	For the six months ended 30 June **2011**	2010
Operating revenue	**46,334**	44,040
Operating profits	**50**	3,582
Total profit	**133**	3,591
Net profit attributable to shareholders of the Company	**220**	2,750
Net profit less extraordinary items attributable to shareholders of the Company	**158**	2,743
Basic earnings per share *(RMB)*	**0.030**	0.380
Diluted earnings per share *(RMB)*	**0.030**	0.380
Fully diluted return on net assets *(%)*	**0.41**	5.03
Return on net assets (weighted average) *(%)*	**0.41**	5.11
Return on net assets (weighted average) less extraordinary items *(%)*	**0.29**	5.10
Net cash flows from operating activities	**3,458**	1,673
Net cash flows per share from operating activities *(RMB)*	**0.478**	0.231

Items	**30 June 2011**	31 December 2010
Total assets	**104,705**	105,114
Owners' equity attributable to shareholders of the Company (or shareholders' equity)	**53,211**	54,068
Net assets per share attributable to shareholders of the Company *(RMB)*	**7.35**	7.47

Extraordinary items:

Number	Item	Effect on profit *(RMB million)*
1	Gains or losses from disposal of non-current assets	7
2	Government subsidies (except for government subsidies which are closely related to the corporate business and entitled in standard amounts or quantities in conformity with the uniform standards of the State) attributable to gains or losses for the period	92
3	Other non-operating income and expenses apart from those stated above	-16
4	Sub-total	83
5	Less: effect of income tax	21
6	Total	62

Note: for extraordinary items, "+" refer to gains or incomes, "-" refer to losses or expenditures.

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

Unit: RMB million

	The Group				Attributable to shareholders of the Company			
	Net profit		Net assets		Net profit		Net assets	
	For the period	For the previous period	**Closing balance**	Opening balance	**For the period**	For the previous period	**Closing balance**	Opening balance
Under IFRSs	**160**	2,776	**54,396**	55,329	**236**	2,767	**53,195**	54,052
Under the PRC Accounting Standards	**144**	2,759	**54,412**	55,345	**220**	2,750	**53,211**	54,068
Items and total amount as adjusted under the IFRSs:								
1. Production safety expenses	**16**	17			**16**	17		
2. Deferred income tax assets			**-18**	-18			**-18**	-18
3. Interests in jointly controlled entities			**2**	2			**2**	2
Total adjustments	**16**	17	**-16**	-16	**16**	17	**-16**	-16

3. Return on net assets and earnings per share for the six months ended 30 June 2011 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	0.41	0.41	0.030	0.030
Net profit less extraordinary items attributable to holders of ordinary shares of the Company	0.30	0.29	0.022	0.022

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

1. Share capital structure:

As at 30 June 2011, 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	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium	4,340,902,643	60.00	–	-4,340,884,709	-4,340,884,709	17,934	0.00
1. State-owned shares	4,340,884,709	60.00	–	-4,340,884,709	-4,340,884,709	–	–
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	–	4,340,884,709	4,340,884,709	7,234,789,913	100.00
1. Renminbi ordinary shares	1,808,105,204	24.99	–	4,340,884,709	4,340,884,709	6,148,989,913	84.99
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

Note: 4,340,884,709 shares subject to trading moratorium held by Angang Holding were unlocked on 7 January 2011.

2. Particulars of Shareholding

(1) As at 30 June 2011, the Company had a total of 219,135 shareholders, of which 579 were holders of H shares.

(2) Shareholdings of major shareholders

As at 30 June 2011, 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	–	–
HKSCC (Nominees) Limited	Holder of foreign shares	14.73	1,065,676,933	–	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	0.60	43,217,755	–	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	0.24	17,198,026	–	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
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	0.19	13,849,414	–	Unknown
Li Yulan (李玉蘭)	Others	0.16	11,311,354	–	Unknown
AB Property & Casualty Insurance - traditional insurance product (安邦財產保險股份有限公司—傳統保險產品)	Others	0.15	10,962,000	–	Unknown
Agricultural Bank of China - Bank of Communications Schroder Selected Equity Fund (中國農業銀行—交銀施羅德精選股票證券投資基金)	Others	0.14	10,099,924	–	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	0.13	9,717,937	–	Unknown
Yingkou Xinda Investment Company Limited (營口鑫達投資有限公司)	Others	0.13	9,523,087	–	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
Angang Holding	4,868,547,330	Renminbi ordinary shares
HKSCC (Nominees) Limited	1,065,676,933	Overseas listed foreign-invested 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)	43,217,755	Renminbi ordinary 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)	17,198,026	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)	13,849,414	Renminbi ordinary shares
Li Yulan (李玉蘭)	11,311,354	Renminbi ordinary shares
AB Property & Casualty Insurance - traditional insurance product (安邦財產保險股份有限公司—傳統保險產品)	10,962,000	Renminbi ordinary shares
Agricultural Bank of China - Bank of Communications Schroder Selected Equity Fund (中國農業銀行—交銀施羅德精選股票證券投資基金)	10,099,924	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)	9,717,937	Renminbi ordinary shares
Yingkou Xinda Investment Company Limited (營口鑫達投資有限公司)	9,523,087	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 such 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 spare parts, electrical machinery, electricity transmission and supply and control equipment, devices 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 State-owned

(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 2011, 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 Securities and Futures Ordinance ("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	1,065,676,933 H shares	14.73	98.15	–	Nominee

IV. DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Shareholdings of directors, supervisors and senior management

As at 30 June 2011, 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 at 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, 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	–	–

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 at the end of the period	Of which: number of shares subject to trading moratorium	Reason of change
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	–	–
Shan Mingyi	Supervisor	5,124	–	–	5,124	–	–
Bai Hai	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 2011, 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

On 16 May 2011, the labour union of the Company elected Mr. Bai Hai, an employee of the Company, as the employee representative supervisor of the fifth session of the Supervisory Committee of the Company according to the poll results. Meanwhile, Mr. Xing Guibin, the former employee representative supervisor of the Company, no longer took position in the Company due to job transfer and resigned as the employee representative supervisor of the Company.

V. MANAGEMENT DISCUSSION AND ANALYSIS

1. Business review:

Under the IFRSs, the Group recorded a profit attributable to owners of the Company of RMB236 million for the six months ended 30 June 2011, representing a decrease of 91.47% as compared with the same period of the previous year. The basic earnings per share was RMB0.033.

In accordance with the PRC Accounting Standards, the Group recorded a net profit attributable to shareholders of the Company of RMB220 million for the six months ended 30 June 2011, representing a decrease of 92.00% as compared with the same period of the previous year. The earnings per share was RMB0.030.

In the first half of 2011, the Company endeavored to overcome unfavourable circumstances in operation and flexibly coped with the ever changing market conditions by commencing corporate-wide “cost reduction and efficiency enhancement campaign”, making every effort to achieve its production and operation targets of the first half of 2011.

(1) Ensuring smooth production through strengthened overall management and control

From January to June, the Group produced 10,345,400 tonnes iron, 10,023,700 tonnes steel and 9,673,600 tonnes steel products, representing a decrease of 3.68%, 5.18% and 4.87%, respectively, as compared with the same period of the previous year; the Company sold 9,411,900 tonnes steel products, representing a decrease of 3.03% as compared with the same period of the previous year.

Of which, Bayuquan Branch produced 3,186,900 tonnes iron and 3,123,100 tonnes steel, representing a decrease of 0.10% and 2.40%, respectively, as compared with the same period of the previous year. In addition, the steel products produced amounted to 2,873,700 tonnes, representing an increase of 1.54% as compared with the same period of the previous year.

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

In the first half of the year, the Company had completed experts' appraisal on 10 scientific research projects and had completed applications for 376 patents which had been accepted by the State, including 104 invention patents and 272 utility model patents, of which 261 patents (16 invention patents and 245 utility model patents) were authorized. The application for the PCT patent of the "model of a working roll for both plate shaping control and free ruled rolling" (兼顧板形控制和自由規程軋製的工作輥輥型) was authorised in the United States and Europe in 2011, respectively. The Company also held 3 meetings for appraisal of 3 scientific research results and new products, of which, the "the research and development of low-cost and high performance DP490 - DP780 cold rolled dual-phase steel and hot-galvanised dual-phase steel with ultra-low content of silicon" (低成本高性能DP490-DP780冷軋雙相鋼及超低硅熱鍍鋅雙相鋼研究開發) was recognised to have met internationally leading standards, and "Angang AS700MC Hot-Rolled Coil for Container Use" (鞍鋼AS700MC集裝箱用熱軋卷板) and "Angang's research and manufacturing of steel for large-scale crude oil storage tank" (鞍鋼大型原油儲罐用鋼研製) have met internationally advanced standards.

(3) Further success in energy saving and consumption reduction by strengthening energy management

In the first half of the year, the Company strived to minimize energy consumption by strengthening energy management, further exploring its potentials based on defined objectives and implementing system optimisation. Total energy consumption per tonne and consumption of new water per tonne in steel production decreased by 6.2% and 4% respectively, as compared with the same period of the previous year, thus achieving the best-ever results.

Furthermore, the Company enhanced the recycling use of by-product residual heat and energy such as recycling of converter gas and residual heat and made a step further in recycling use of residual energy from, among others, TRT power generation.

(4) Maximising profit under a market-oriented strategy

The Company stepped up the development of products relating to industries such as automobile, household appliances, petroleum and petrochemical, shipbuilding, container manufacturing, engineering machinery and railway industries to ever increase the market share of principal products and the direct supply ratio of products. With reference to the market conditions, the Company actively seized the advantages from the opportunities offered by the national development of Bohai economic rim and increased its market share by continuously increasing the input of available stocks in the market of northeastern regions and consolidating the number of orders from direct-supply enterprises in northeastern and northern regions of China. As to the markets in eastern and southern China with relatively well-developed light industry economy, the Company attached importance to the development of high-end products.

From January to June, the Group exported a total of 840,000 tonnes steel products, representing an increase of 30,000 tonnes as compared with the same period of the previous year. The export of steel products remained stable.

(5) Smooth progress of technological improvement and foreign investment projects

The overall wire rod renovation project is under operation. The Group had achieved a steady progress in the projects including chemical tar capacity expansion, coal-based gas production and phase IV coke oven renovation (化工四期焦爐改造).

The installation of the main equipment and trial run for Angang's Putian cold rolling project had been completed.

(6) Enhancing corporate management

The Company optimised energy management and control through the establishment and certification of an energy management system and organised corporate-wide identification and evaluation of energy factors.

The Company also tightened internal control management by organising systematic evaluation of risks at departmental level and formulating corresponding counter-measures.

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 as compared with the same period of the previous year %	Increase/ decrease in operating cost as compared with the same period of the previous year %	Increase/ decrease in gross profit margin as compared with the same period of the previous year *(percentage points)*
Principal business by industry						
Steel pressing and processing industry	46,224	42,620	7.80	5.21	15.01	-7.85
Principal business by products						
Hot-rolled products	13,552	12,568	7.26	12.19	21.52	-7.13
Cold-rolled products	19,111	16,700	12.62	0.58	15.87	-11.53
Medium and thick plates	7,658	7,378	3.66	0.64	0.34	0.30

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 RMB4,407 million in total during the reporting period.

Notes:

1) *The increase in operating revenue from hot-rolled products was due to i) the increase in product prices, and ii) the increase in sales volume of the products. The increase in operating cost was due to i) the surge of prices of raw materials and fuels such as ores, alloy, scrap steel and coal, and ii) the increase in product sales; the decrease in gross profit margin was mainly attributable to a more significant increase in the prices of raw materials and fuels comparing with the increase in product prices.*

2) *The increase in operating cost of cold-rolled products was primarily owing to the surge of the prices of raw materials and fuels. The decrease in gross profit margin was primarily due to a more significant increase in the prices of raw materials and fuels comparing with the increase in product prices.*

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 as compared with the same period of the previous year** *(%)*
Northeast China	18,010	15,847	13.65
North China	5,558	6,378	-12.86
East China	10,104	9,775	3.37
South China	7,085	6,537	8.38
Central south China	820	884	-7.24
Northwest China	292	869	-66.40
Southwest China	144	202	-28.71
Export sales	4,321	3,548	21.79
Total	46,334	44,040	5.21

3. Problems and difficulties in operation

In the first half of the year, beset by both the slowdown in market demand and stubbornly high prices of bulk raw materials, iron and steel enterprises faced immense pressure over production and operation. To cope with the tough market conditions, the Company strengthened its internal management, further explored its potentials, adjusted product portfolio, reduced cost while boosting efficiency and finalising measures, thus achieving a satisfactory growth in terms of production and operation.

4. Investment of the Company

(1) External Investments

In the first half of 2011, the Company's external investment aggregated to RMB551 million, representing a decrease of 33.21% from the total external investment of RMB825 million in the same period of the previous year.

In particular, the Company invested RMB300 million in Angang Cold Rolled Steel Plate (Putian) Co., Ltd., RMB98 million in Angang Steel Materials Delivery (Hefei) Co., Ltd.*, RMB63 million in Dalian Shipping Heavy Industry Group Shipbuilding Co., Ltd.* (大連船舶重工集團船務工程有限公司), RMB48 million in Angang Steel Logistics (Wuhan) Company Limited, RMB21 million in Anshan Falan Packing Materials Co., Ltd., RMB11 million in Angang Shenyang Steel Product Processing And Distribution Company Limited as well as RMB10 million in CSIC Materials Trading Group Bayuquan Co., Ltd. (中船重工物資貿易集團鮁魚圈有限公司).

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

Unit: RMB million

Project name	Project budget amount	Project progress *(%)*	Project proceeds
High performance cold rolling silicon steel production line	3,400	97	-70
Production line of seamless ∮177 petroleum pipeline	817	95	-83
Wire production line renovation	755	92	-51
Project of benzene hydrogenation	385	100	44
Total	5,357	—	-160

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

6. Profitability (gross profit margin) of principal operations decreased as compared with the previous year, mainly due to a more significant increase in the prices of raw materials and fuels comparing with the increase in prices of steel products, thereby the gains arising from the increase in prices of steel products could barely compensate for the increase in costs driven by the surge in the prices of raw materials and fuels.

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 2011**	For the six months ended 30 June 2010	Percentage of increase/ (decrease) *(%)*
Turnover	**46,224**	43,937	5.21
Profit before tax	**149**	3,608	-95.87
Profit attributable to owners of the Company	**236**	2,767	-91.47
Net increase in cash and cash equivalents	**-1,222**	-289	-322.84

Notes:

a. *The increase in turnover as compared with the same period of the previous year was mainly attributable to the surge of product prices and restructuring of the product portfolio.*

b. *The significant decrease in profit before tax and the profit attributable to owners of the Company as compared with the same period of the previous year was mainly attributable to the changes in the iron and steel market, leading to a more significant increase in the prices of raw materials and fuels comparing with the increase in prices of steel products, thereby the gains arising from the surge of prices of steel products could barely compensate for the increase in costs due to the rise in the prices of raw materials and fuels.*

c. *A more significant net decrease in cash and cash equivalents as compared with the same period of the previous year was due to i) an increase of RMB1,733 million in net cash inflow from operating activities as compared with the same period of the previous year upon an increase in the amount of cash received from sales of commodities or rendering of labor service for the period; ii) an increase of RMB997 million in net cash outflow from investing activities as compared with the previous year following an increase in cash payments for acquisition and construction of property, plant and equipment and external investment; iii) an increase of RMB1,669 million in net cash outflow from financing activities as compared with the same period of the previous year as a result of the decrease in cash received from borrowings as well as the increase in cash paid for distribution of dividends.*

(2) Items of condensed consolidated statement of financial position

Unit: RMB million

Item	**As at 30 June 2011**	As at 31 December 2010	Percentage of increase/ (decrease) *(%)*
Total assets	**106,447**	107,119	-0.63
Total equity	**54,396**	55,329	-1.69
Construction in progress	**8,227**	6,324	30.09
Cash and cash equivalents	**2,429**	3,651	-33.47
Short-term debentures	**6,000**	3,000	100.00

Notes:

a. *The decrease in total assets and total equity as compared with the end of the previous year was attributable to the amount of cash dividends of the previous year distributed during the period exceeding the net profit from operations for the period.*

b. *The increase in the number of construction in progress as compared with the end of the previous year was mainly attributable to the increase in construction expenses of the Putian cold rolling project, the phase IV coke oven renovation project (化工四期焦爐改造工程), Bayuquan project and other projects during the period.*

c. *The decrease in cash and cash equivalents as compared with the end of the previous year was mainly attributable to the net cash inflow from operating activities of RMB2,603 million, the net cash outflow from investing activities of RMB3,104 million and the net cash outflow from financing activities of RMB721 million.*

d. *The increase in short-term debentures as compared with the end of the previous year was mainly attributable to the issue of RMB6,000 million short-term debentures by the Company for the period, representing an increase of RMB3,000 million as compared with the balance as at the end of the previous year.*

9. Business plan for the second half of the year

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

(2) To respond to the market flexibly by enhancing coordination between production and sales and introducing innovative production, marketing and research methods.

(3) To strengthen the restructuring of the product portfolio by developing technology and products up to the standards of "ultra-high strength steel" as well as producing unique or industry-leading strategic products by developing low-carbon manufacturing technology.

(4) To embed its result-driven management mode so as to further enhance the overall quality of the enterprise.

(5) To advance the low-carbon and economical operation by implementing emission reduction projects and to tighten control over newly commissioned energy-saving projects to ensure maximised efficiency of energy-saving initiatives.

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

As at 30 June 2011, the Group had long-term loans of RMB13,646 million, which was mainly used for supplementation of liquidity and project capital. The loans are for a term of 3 to 25 years at annual interest rate mainly of 4.86% to 6.08%.

As at 30 June 2011, the Group had cash and cash equivalents of RMB2,429 million, as compared with RMB3,651 million at the end of 2010.

As at 30 June 2011, the Group's total assets less current liabilities amounted to RMB68,763 million, as compared with RMB68,637 million at the end of 2010.

The equity attributable to owners of the Company amounted to RMB53,195 million as at 30 June 2011, as compared with RMB54,052 million at the end of 2010.

11. Pledged assets

The Group had a short-term borrowing of RMB200 million at the end of the period, which was the pledged borrowing of Tianjin Angang Tian Tie Cold Rolled Sheets Company Limited borrowed from Tianjin Binhai Rural Commercial Bank (天津濱海農村商業銀行). Certain construction in progress of Tian Tie Project was pledged for the borrowing, which had a carrying value of RMB717 million, with a collateral term starting from 31 October 2010 to 30 October 2011.

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

As at 30 June 2011, the Group had capital commitment of RMB3,334 million, mainly comprising the construction and renovation contracts and external investment contracts which had been executed but not performed or performed partially.

As at 30 June 2011, the Group had no contingent liabilities.

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

The ratio of total equity to liabilities of the Group was 1.05 times as at 30 June 2011 and 1.07 times as at 31 December 2010.

14. 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.

15. Employees

As at 30 June 2011, the Company had 29,316 employees, of whom 20,144 were production personnel, 252 were sales personnel, 3,067 were technicians, 272 were accounting personnel and 2,127 were administration personnel. Among the employees of the Company, 6,536 held bachelor or higher degrees, representing 22.3% of the total number of employees; 7,366 employees held diplomas, representing 25.1% of the total number of employees and 11,906 employees held the certificate of secondary education, representing 40.6% 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 2011, 18,691 employees were arranged to attend and complete the centralized training course and 22,510 employees attended on-the-job training. Among them, 212 senior management members attended training for, among others, political theory and strategy management, 3,705 management technology staff attended training for management knowledge, computer, English, specific technology and studying in institutes and colleges; 6,835 production staff attended training for technical grades, computer, equipment inspection and security knowledge; 1,744 employees attended training for team and group management knowledge and 6,195 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, 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 2011.

3. Implementation of profit distribution plan

On 30 May 2011, the Company convened its 2010 annual general meeting in Anshan, at which the 2010 profit distribution plan was considered and approved. Pursuant to the 2010 profit distribution plan, a cash dividend of RMB1.5 per 10 shares was declared based on the total issued share capital of 7,234,807,847 shares. On 21 June 2011, the Company distributed cash dividends to the holders of its H shares. The exchange rate adopted was HK$100 to RMB83.506, 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 2010 annual general meeting. The cash dividends actually paid to the holders of its H shares amounted to HK$195 million. On 21 June 2011, the Company distributed cash dividends to the holders of circulating A shares and state-owned shares in the total amount of RMB922 million. The cash dividends for 2010 distributed by the Company amounted to RMB1,085 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 conducted in accordance with the supply of raw 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 plus the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the trade 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.	922/tonne	3,031	25.87

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.	1,183/tonne	3,829	100.00
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)	1,050/tonne	1,481	100.00

Items	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)
Scrap steel	Market prices	–	141	27.14
Billets	Market prices	–	180	100.00
Sub-total	–	–	8,662	48.87
Electricity	State price	0.52/kWh	825	35.81
Water	State price	3.25/tonne	43	7.55
Steam	Production cost plus a gross profit margin of 5%	46.57/GJ	27	100.00
Sub-total	–	–	895	30.80
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	75	68.77
Lime powder		388/tonne	404	91.80
Refractory material		–	26	3.18
Other ancillary materials		–	110	4.04
Spare parts		–	145	9.43
Sub-total	–	–	760	13.52
Total	–	–	10,317	–

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	320	52.83
Road transportation	Market prices	225	83.86
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)	194	100.00
Repair and maintenance of equipment	Market prices	544	71.34
Design and engineering services		1,004	42.01
Education facilities, vocational education, on-the-job training, translation services		0.4	11.76
Company vehicle services		0.5	100.00
Charge for arrangement of business and meeting expenses		1	50.03

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	7	100.00
Security services		19	76.22
Newspaper and other publications	State price	0.1	11.67
Telecommunication business and services, information system	State price or depreciation plus maintenance costs	12	70.49
Environmental protection and security inspection services	State price	1	80.30
Production coordination and maintenance	Expenses of labour, materials and management were paid based on market prices	576	75.89
Welfare assistance and maintenance		71	69.27
Total	–	2,975	57.36
Interest on fund for settlement	State price	7	88.53
Loans and discounted interest	State price	138	19.89
Interest on entrusted loans	Not higher than the interest rate obtained by Angang Holding Group from commercial banks during the same period	4	100.00

Note: In which, for the six months ended 30 June 2011, the steel products provided by Angang Trade as an agent for domestic sales and exports sales amounted to 2,580,000 and 840,000 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 charged by the Group to the independent third parties; for provision of aforesaid products for the development of new products for the other party, the price is based on the market price if the market price exists; if the market price is absent, 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 the relevant member company.	4,922/tonne	1,314	7.95
Heavy plates		4,055/tonne	453	7.29
Wire rods		4,126/tonne	74	3.90
Heavy section		4,776/tonne	2	0.19
Hot-rolled sheets		3,998/tonne	1,883	13.90
Medium plates		4,168/tonne	43	2.96
Galvanized steel sheets		4,702/tonne	192	5.06
Colour coated sheets		5,855/tonne	10	2.17
Seamless pipes		4,654/tonne	24	2.95
Molten iron		2,460/tonne	1	100.00
Billets		3,892/tonne	5	6.50
Coke		890/tonne	30	100.00
Chemical by-products		–	18	1.71
Sub-total	–	–	4,049	8.60
Scrap steel	Market prices	–	74	99.00
Abandoned materials		–	3	85.56
Retired assets or idle assets	Market price or appraised price	–	2	41.79
Sub-total	–	–	79	94.63
Total	–	–	4,128	–

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	2.93/tonne	22	100.00
Clean recycled water	Production cost plus a gross profit margin of 5%	0.74/tonne	10	99.97
Soft water		4.90/tonne	0.3	100.00
Gas		62.16/GJ	174	72.79
Blast furnace gas		4.00/GJ	14	99.98
Steam		47.50/GJ	20	95.39
Nitrogen		254/KM^3	2	18.21
Oxygen		462/KM^3	2	10.66
Argon		1,302/KM^3	1	7.72
Compressed air		106/KM^3	0.3	99.93
Used hot water		17.94/GJ	31	91.78
Product testing service	Market prices	–	2	84.77
Transportation service		–	0.2	100.00
Total	–	–	278.8	37.01

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 2011, the Group's bank loans of RMB2,100 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

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 one percentage point 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 2011, there was no re-purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries.

12. Securities Transactions of Directors

The Board has adopted the relevant code for directors' securities transactions for the purpose of complying with Hong Kong Listing Rules. In the responses to the Company's special enquiries with all members of the Board, they have confirmed that they had complied with the standards set out in Appendix 10 to Hong Kong Listing Rules.

13. Independent Non-executive Directors

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

14. Audit Committee

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of 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 the unaudited interim report for the six months ended 30 June 2011.

15. Shareholding in other listed companies

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
600961	Zhuzhou Smelter Group (株冶集團)	81	1.9%	169	–	-8

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 2011
(Expressed in Renminbi)

	Note	Six months ended 30 June 2011 RMB million (unaudited)	2010 RMB million (unaudited)
Turnover	4	**46,224**	43,937
Cost of sales		**(44,020)**	(38,270)
Sales related taxes		**(68)**	(132)
Gross profit		**2,136**	5,535
Other operating profit, net		**103**	42
Distribution and other operating expenses		**(753)**	(767)
Administrative expenses		**(741)**	(837)
Profit from operations		**745**	3,973
Finance costs		**(825)**	(618)
Share of profits less losses of jointly controlled entities		**186**	209
Share of profits less losses of associates		**43**	44
Profit before tax		**149**	3,608
Income tax credit/(expense)	5	**11**	(832)
Profit for the period	6	**160**	2,776

Condensed consolidated income statement *(Continued)*

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Note	Six months ended 30 June **2011** *RMB million* (unaudited)	2010 *RMB million* (unaudited)
Attributable to:			
Owners of the Company		**236**	2,767
Non-controlling interests		**(76)**	9
		160	2,776
Earnings per share	8		
Basic		**RMB0.033**	RMB0.382

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Profit for the period	**160**	2,776
Other comprehensive income:		
Fair value change on other investments	**(10)**	(68)
Income tax relating to components of other comprehensive income	**2**	17
Other comprehensive income for the period, net of tax	**(8)**	(51)
Total comprehensive income for the period	**152**	2,725
Attributable to:		
Owners of the Company	**228**	2,716
Non-controlling interests	**(76)**	9
	152	2,725

Condensed consolidated statement of financial position at 30 June 2011

(Expressed in Renminbi)

	Note	**At 30 June 2011 *RMB million* (unaudited)**	At 31 December 2010 *RMB million* (audited)
Non-current assets			
Property, plant and equipment	9	**61,140**	64,226
Intangible assets		**6**	8
Construction in progress	10	**8,227**	6,324
Interests in jointly controlled entities		**1,431**	1,245
Interests in associates		**528**	488
Other investments		**518**	434
Deferred tax assets		**1,423**	1,368
		73,273	74,093

Condensed consolidated statement of financial position at 30 June 2011 *(Continued)*

(Expressed in Renminbi)

	Note	At 30 June 2011 RMB million (unaudited)	At 31 December 2010 RMB million (audited)
Current assets			
Inventories		**14,360**	13,134
Amount due from immediate parent	17	**1**	—
Amounts due from fellow subsidiaries	17	**8,487**	7,272
Amount due from a jointly controlled entity	17	**116**	69
Trade receivables	11	**4,371**	4,872
Prepayments, deposits and other receivables		**3,380**	4,004
Current tax assets		**30**	24
Cash and cash equivalents	12	**2,429**	3,651
		33,174	33,026

Condensed consolidated statement of financial position at 30 June 2011 *(Continued)*

(Expressed in Renminbi)

	Note	At 30 June 2011 RMB million (unaudited)	At 31 December 2010 RMB million (audited)
Current liabilities			
Trade payables	13	**10,437**	9,371
Amount due to immediate parent	17	**287**	294
Amounts due to fellow subsidiaries	17	**1,485**	1,651
Amounts due to jointly controlled entities	17	**299**	402
Amounts due to associates	17	**11**	30
Deferred income		**17**	23
Other payables		**6,352**	7,355
Current portion of bank loans	14	**12,796**	16,356
Short-term debentures	15	**6,000**	3,000
		37,684	38,482
Net current liabilities		**(4,510)**	(5,456)
Total assets less current liabilities carried forward		**68,763**	68,637

Condensed consolidated statement of financial position at 30 June 2011 *(Continued)*

(Expressed in Renminbi)

	Note	At 30 June 2011 RMB million (unaudited)	At 31 December 2010 RMB million (audited)
Total assets less current liabilities brought forward		**68,763**	68,637
Non-current liabilities			
Bank loans	14	**13,646**	12,717
Provisions		**37**	37
Deferred income		**684**	554
		14,367	13,308
NET ASSETS		**54,396**	55,329

Condensed consolidated statement of financial position at 30 June 2011 *(Continued)*

(Expressed in Renminbi)

	Note	At 30 June 2011 RMB million (unaudited)	At 31 December 2010 RMB million (audited)
Capital and reserves			
Share capital		**7,235**	7,235
Share premium		**31,414**	31,414
Reserves		**3,721**	3,713
Retained profits		**10,825**	11,690
Equity attributable to owners of the Company		**53,195**	54,052
Non-controlling interests		**1,201**	1,277
TOTAL EQUITY		**54,396**	55,329

Approved and authorised for issue by the board of directors on 22 August 2011.

Zhang Xiaogang
Chairman

Fu Jihui
Director

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2011
(Expressed in Renminbi)

		(unaudited)						
		Attributable to owners of the Company						
	Note	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained profits RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2010		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
At 1 January 2011		7,235	31,414	3,713	11,690	54,052	1,277	55,329
Total comprehensive income for the period		–	–	(8)	236	228	(76)	152
Transfer		–	–	16	(16)	–	–	–
Final dividends – 2010	7	–	–	–	(1,085)	(1,085)	–	(1,085)
Changes in equity for the period		–	–	8	(865)	(857)	(76)	(933)
At 30 June 2011		7,235	31,414	3,721	10,825	53,195	1,201	54,396

Condensed consolidated statement of cash flows

For the six months ended 30 June 2011
(Expressed in Renminbi)

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**2,603**	870
Net cash used in investing activities	**(3,104)**	(2,107)
Net cash (used in)/generated from financing activities	**(721)**	948
Net decrease in cash and cash equivalents	**(1,222)**	(289)
Cash and cash equivalents at 1 January	**3,651**	2,242
Cash and cash equivalents at 30 June	**2,429**	1,953

Notes on the interim financial report

For the six months ended 30 June 2011
(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 2010 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, IASs 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 2011. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current period and prior years.

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

3. Segment information

	RMB million
Six months ended 30 June 2011:	
Revenue from external customers (unaudited)	**46,224**
Segment profit (unaudited)	**158**
At 30 June 2011:	
Segment assets (unaudited)	**95,902**
Six months ended 30 June 2010:	
Revenue from external customers (unaudited)	43,937
Segment profit (unaudited)	2,775
At 31 December 2010:	
Segment assets (audited)	97,976

3. Segment information *(Continued)*

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	**158**	2,775
Unallocated amounts:		
Dividend income	**2**	1
Consolidated profit for the period	**160**	2,776

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 (credit)/expense

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

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Current tax expense - PRC income tax	**42**	724
Deferred tax (credit)/expense	**(53)**	108
	(11)	832

The provision for PRC income tax is based on a statutory rate of 25% (six months ended 30 June 2010: 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 for the period

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

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Interest and other borrowing costs	**973**	866
Less: Amount capitalised as construction in progress	**(184)**	(270)
Net interest expenses	**789**	596
Interest income	**(15)**	(13)
Dividend income from other investments	**(2)**	(1)
Amortisation of intangible assets	**2**	2
Depreciation	**3,770**	3,564
Loss on disposals of property, plant and equipment	**9**	5
Impairment losses of property, plant and equipment	**–**	2
Net allowance for inventories	**581**	383
Research and development costs	**5**	11

7. Dividends

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Final dividends in respect of the financial year ended 31 December 2010, approved and paid during the following interim period, of RMB0.15 per share (year ended 31 December 2009 approved and paid: RMB0.06 per share)	**1,085**	434

The final dividends attributable to A share shareholders and H share shareholders amounting to RMB922 million (six months ended 30 June 2010: RMB369 million) and RMB163 million (six months ended 30 June 2010: RMB65 million) respectively were paid on 21 June 2011.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB Nil).

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of RMB236 million (six months ended 30 June 2010: RMB2,767 million) and the weighted average number of shares of 7,235 million in issue during the six months ended 30 June 2011 (six months ended 30 June 2010: 7,235 million).

(b) Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any potential equity shares in existence during the six months ended as at 30 June 2010 and 2011.

9. Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of approximately RMB17 million.

10. Construction in progress

The acquisitions and transfer of items of construction in progress during the six months ended 30 June 2010 and 2011 are as follows:

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Additions	**2,617**	1,359
Transfer to property, plant and equipment	**(714)**	(4,014)

11. Trade receivables

	At 30 June 2011	At 31 December 2010
	RMB million	*RMB million*
	(unaudited)	(audited)
Accounts receivable	**837**	1,169
Bills receivable	**3,534**	3,703
	4,371	4,872

11. Trade receivables *(Continued)*

The ageing analysis of trade receivables is as follows:

	At 30 June 2011 ***RMB million*** **(unaudited)**	At 31 December 2010 *RMB million* (audited)
Less than 3 months	**2,331**	4,402
More than 3 months but less than 12 months	**2,032**	463
More than 1 year	**8**	7
	4,371	4,872

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 2011, a deposit of RMB1,432 million (31 December 2010: RMB2,607 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 2011 *RMB million* (unaudited)	At 31 December 2010 *RMB million* (audited)
Accounts payable	**3,902**	4,492
Bills payable	**6,535**	4,879
	10,437	9,371

The ageing analysis of trade payables is as follows:

	At 30 June 2011 *RMB million* (unaudited)	At 31 December 2010 *RMB million* (audited)
Due on demand	**1,163**	88
Due within 3 months	**3,720**	6,724
Due after 3 months but within 6 months	**5,505**	2,559
Due after 6 months but within 1 year	**49**	—
	10,437	9,371

14. Bank loans

	At 30 June 2011 RMB million (unaudited)	At 31 December 2010 RMB million (audited)
Bank loans	**26,442**	29,073
Less: Bank loans due within one year classified as current liabilities	**(12,796)**	(16,356)
	13,646	12,717

Among the bank loans of the Group as at 30 June 2011, RMB2,100 million (31 December 2010: RMB2,100 million) and RMB3,765 million (31 December 2010: RMB3,875 million) was guaranteed by Anshan Iron and Steel Group Complex ("Angang Holding"), the immediate parent of the Company and 天津天鐵冶金集團有限公司 (Tianjin Tian Tie Metallurgy Holding Limited), a non-controlling shareholder of a subsidiary of the Group and one of its subsidiaries respectively. Other than the guarantees as stated above, the bank loans of the Group amounted to RMB200 million (31 December 2010: RMB200 million) was secured by pledge of the construction in progress of a subsidiary of the Company.

As at 30 June 2011, loans from Angang Finance and Angang Holding (entrusted and arranged by Angang Finance) amounted to RMB4,800 million and RMB550 million respectively (31 December 2010: RMB7,300 million and RMB Nil).

15. Short-term debentures

As at 30 June 2011, the Group issued two (31 December 2010: one) tranches of short-term debentures ("Debentures") of RMB3,000 million each with an aggregate principal amount of RMB6,000 million (31 December 2010: RMB3,000 million) in the PRC inter-bank debenture market. The interest rates of the two tranches Debentures are of 4.18% and 4.38% per annum respectively (31 December 2010: 2.84%) and the term of maturity is 365 days (31 December 2010: 365 days).

16. Commitments

The Group had capital commitments outstanding as at 30 June 2011 not provided for as follows:

	At 30 June 2011 *RMB million* (unaudited)	At 31 December 2010 *RMB million* (audited)
Authorised and contracted for:		
— Construction projects of production lines	**2,898**	3,985
— Investment in a subsidiary to be set up	**436**	318
	3,334	4,303

17. Related party transactions

The following is a summary of significant transactions carried out between the Group, 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:

	Note	Six months ended 30 June 2011 RMB million (unaudited)	2010 RMB million (unaudited)
Sales of finished products (before deducting sales related taxes)	(a)	**4,049**	4,056
Sales of scrap materials and minus sieve powder (before deducting sales related taxes)	(a)	**79**	58
Fee received for utilities and services provided	(b)	**279**	222
Purchase of raw materials	(c)	**8,662**	6,463
Purchase of ancillary materials and spare parts	(d)	**760**	699
Utility supplies	(e)	**895**	928
Fees paid for welfare and other support services	(f)	**2,975**	2,311
Purchase of assets	(g)	**—**	68
Interest received	(h)	**7**	5
Interest paid	(h)	**138**	203
Interest paid for entrusted loans	(h)	**4**	—

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 2011, the Group placed deposit with Angang Finance amounted to RMB1,432 million (31 December 2010: RMB2,607 million) and the loans from Angang Finance and Angang Holding (entrusted and arranged by Angang Finance) amounted to RMB4,800 million and RMB550 million respectively (31 December 2010: RMB7,300 million and RMB Nil).

(ii) Bank loans

As at 30 June 2011, certain bank loans amounted to RMB2,100 million (31 December 2010: RMB2,100 million) were guaranteed by Angang Holding.

(iii) Amount due from/to immediate parent

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

The amount due from/to immediate 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 2010/2011 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 RMB1,754 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB1,839 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 RMB35 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB48 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 RMB260 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB221 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 2011 (six months ended 30 June 2010: RMB3 million).

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 RMB Nil for the six months ended 30 June 2011 (six months ended 30 June 2010: 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 RMB Nil for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB30 million).

The Group paid services fee for the service provided by Ban Hai Enterprise amounting to RMB6 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB55 million).

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	
	2011	2010
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Directors' and supervisors' fees	**—**	—
Salaries, allowance and other benefits in kind	**0.86**	1.08
Retirement scheme contributions	**0.14**	0.18
	1.00	1.26

B. Prepared in accordance with the PRC Accounting Standards

Consolidated Balance Sheet

As at 30 June 2011

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

Assets	*Note*	**30 Jun. 2011**	31 Dec. 2010
Current assets:			
Cash at banks and on hand	7(1)	**2,429**	3,651
Trading financial assets			
Bills receivable	7(2)	**3,534**	3,703
Accounts receivable	7(3)	**2,771**	2,061
Prepayments	7(6)	**8,226**	8,380
Interest receivable			
Dividend receivable	7(4)	**18**	
Other receivables	7(5)	**19**	15
Inventories	7(7)	**14,360**	13,134
Non-current assets due within 1 year			
Other current assets			
Total current assets		**31,357**	30,944
Non-current assets:			
Available-for-sale financial assets	7(8)	**169**	179
Long-term equity investments	7(9)	**2,306**	1,986
Investment real estate			
Fixed assets	7(10)	**54,252**	57,267
Construction in progress	7(11)	**8,009**	5,277
Construction material	7(12)	**218**	1,047
Intangible assets	7(13)	**6,894**	6,967
Deferred income tax assets	7(14)	**1,500**	1,447
Other non-current assets			
Total non-current assets		**73,348**	74,170
Total assets		**104,705**	105,114

Consolidated Balance Sheet *(Continued)*

As at 30 June 2011

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

Liabilities and shareholders' equity	*Note*	**30 Jun. 2011**	31 Dec. 2010
Current liabilities:			
Short-term loans	7(17)	**7,595**	10,395
Bills payable	7(18)	**6,535**	4,879
Accounts payable	7(19)	**4,217**	4,683
Advances from customers	7(20)	**5,196**	6,157
Employee benefits payable	7(21)	**348**	322
Tax and surcharges payable	7(22)	**(1,706)**	(1,836)
Interest payables	7(23)	**103**	79
Other payables	7(24)	**2,361**	2,737
Non-current liabilities due within 1 year	7(25)	**5,201**	5,961
Other current liabilities	7(26)	**6,017**	3,023
Total current liabilities		**35,867**	36,400
Non-current liabilities:			
Long-term loans	7(27)	**13,646**	12,717
Deferred income tax liabilities	7(14)	**59**	61
Other non-current liabilities	7(28)	**721**	591
Total non-current liabilities		**14,426**	13,369
Total liabilities		**50,293**	49,769

Consolidated Balance Sheet *(Continued)*

As at 30 June 2011

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

Liabilities and shareholders' equity	*Note*	**30 Jun. 2011**	31 Dec. 2010
Shareholders' equity:			
Share capital	7(29)	**7,235**	7,235
Capital reserve	7(30)	**31,513**	31,521
Special reserve	7(31)	**86**	70
Surplus reserves	7(32)	**3,570**	3,570
Undistributed profit	7(33)	**10,807**	11,672
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to parent company		**53,211**	54,068
Minority interest		**1,201**	1,277
Total shareholders' equity		**54,412**	55,345
Total liabilities and shareholders' equity		**104,705**	105,114

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

Consolidated Income Statement

For the six months ended 30 June 2011

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

Items		Note	Six months ended 30 Jun. 2011	2010
1. Operating income			**46,334**	44,040
Including:	Operating income from main business	7(34)	**46,334**	44,040
2. Operating costs			**46,515**	40,712
Including:	Operating costs for main business	7(34)	**42,723**	37,182
	Business tax and surcharges	7(35)	**68**	132
	Selling expenses	7(36)	**753**	767
	Administrative expenses	7(37)	**1,573**	1,677
	Financial expenses	7(39)	**817**	569
	Impairment losses on assets	7(40)	**581**	385
Add:	gains/losses from fair value variation			
	Investment income	7(39)	**231**	254
Including:	Income from investment in jointly controlled enterprises and associates		**229**	253
3. Operating profit			**50**	3,582
Add:	Non-operating income	7(41)	**106**	27
Less:	Non-operating expenses	7(42)	**23**	18
Including:	Loss on non-current assets disposal		**22**	18

Consolidated Income Statement *(Continued)*

For the six months ended 30 June 2011

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

Items	*Note*	Six months ended 30 Jun. **2011**	2010
4. Profit before income tax		**133**	3,591
Less: Income tax expenses	7(43)	**(11)**	832
5. Net profit for the year		**144**	2,759
Net profit attributable to shareholder of parent company		**220**	2,750
Gains/losses attributable to minority shareholder		**(76)**	9
6. Earning per share			
(1) Basic earnings per share	7(44)	**0.030**	0.380
(2) Diluted earnings per share	7(44)	**0.030**	0.380
7. Other comprehensive income	7(45)	**(8)**	(51)
8. Total comprehensive income		**136**	2,708
Share of total comprehensive income attributable to shareholder of parent company		**212**	2,699
Share of total comprehensive income attributable to minority interest		**(76)**	9

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

Consolidated Cash Flow Statement

For the six months ended 30 June 2011

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

Items	*Note*	Six months ended 30 Jun. 2011	2010
1. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		**47,025**	42,626
Refund of tax and fare received		**132**	
Other cash received relating t operating activities	7(46)	**220**	100
Sub-total of cash inflows		**47,377**	42,726
Cash paid for goods and services		**41,101**	37,602
Cash paid to and on behalf of employees		**1,341**	1,355
Cash paid for all types of taxes		**887**	1,654
Other cash paid relating o operating activities	7(46)	**590**	442
Sub-total of cash outflows		**43,919**	41,053
Net cash flow from operating activities	7(47)	**3,458**	1,673

Consolidated Cash Flow Statement *(Continued)*

For the six months ended 30 June 2011

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

		Six months ended 30 Jun.	
Items	*Note*	**2011**	2010
2. Cash flows from investing activities			
Cash received from return of investments			
Cash received from investment income			66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**2**	4
Net cash received fro the disposal of subsidiaries and other operating units			
Other cash received relating to investment activities	7(46)	**26**	47
Sub-total of cash inflows		**28**	117
Cash paid for acquisition of fixed assets intangible assets and other long-term assets		**3,012**	2,186
Cash paid for acquisition of investments		**105**	25
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid relating to investment activities			
Sub-total of cash outflows		**3,117**	2,211
Net cash flow from investing activities		**(3,089)**	(2,094)

Consolidated Cash Flow Statement *(Continued)*

For the six months ended 30 June 2011

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

Items	*Note*	Six months ended 30 Jun. **2011**	2010
3. Cash flows from financing activities			
Cash received from absorbing investment			
Including: received of subsidiary from minority shareholder			
Cash received from borrowings		**14,391**	17,385
Other cash received relating to financing activities			
Sub-total of cash inflows		**14,391**	17,385
Cash paid for settling debt		**14,045**	16,011
Cash paid for distribution of dividends or profit or reimbursing interest		**1,863**	1,210
Including: dividends or profit paid to minority interest			
Other cash payments relating to financing activities	7(46)	**74**	32
Sub-total of cash outflows		**15,982**	17,253
Net cash inflow from financing activities		**(1,591)**	132
4. Effect of foreign exchange rate changes on cash and cash equivalents			
5. Net increase in cash and cash equivalents	7(47)	**(1,222)**	(289)
Add: Cash and cash equivalents at year-begin	7(47)	**3,651**	2,242
6. Cash and cash equivalents at the end of the year	7(47)	**2,429**	1,953

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

Consolidated Statement of changes in shareholders' equity

As at 30 June 2011

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

Items	30 Jun. 2011 Shareholders' equity attributable to parent company 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	31,521		70	3,570		11,672		1,277	55,345
Add: Change of accounting policy										
Correction of Last accounting errors										
Other										
2. Balance as at 1 Jan. 2010	7,235	31,521		70	3,570		11,672		1,277	55,345
3. Increase/decrease in 2010 ("-" means loss)		(8)		16			(865)		(76)	(933)
(1) Net profit							220		(76)	144
(2) Other comprehensive income		(8)								(8)
Subtotal of (1) and (2)		(8)					220		(76)	136
(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							(1,085)			(1,085)
i. Appropriating surplus reserve										
ii. Appropriating general risk reserve										
iii. Distribution to Shareholders							(1,085)			(1,085)
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				16						16
i. Appropriation number of this year				18						18
ii. Using number of this year				(2)						(2)
4. Balance as at 31 Dec. 2010	7,235	31,513		86	3,570		10,807		1,201	54,412

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

Consolidated Statement of changes in shareholders' equity *(Continued)*

As at 30 June 2011

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

	31 Dec. 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)		11		20	213		1,392		(89)	1,547
(1) Net profit							2,039		(89)	1,950
(2) Other comprehensive income		11								11
Subtotal of (1) and (2)		11					2,039		(89)	1,961
(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					213		(647)			(434)
i. Appropriating surplus reserve					213		(213)			
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				20						20
i. Appropriation number of this year				32						32
ii. Using number of this year				(12)						(12)
4. Balance as at 31 Dec. 2010	7,235	31,521		70	3,570		11,672		1,277	55,345

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

Balance Sheet
As at 30 June 2011

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

Assets	*Note*	**30 Jun. 2011**	31 Dec. 2010
Current assets:			
Cash at banks and on hand		**1,338**	2,542
Trading financial assets			
Bills receivable		**3,323**	3,167
Accounts receivable	15(1)	**2,771**	2,061
Prepayments		**7,213**	7,285
Interest receivable			
Dividend receivable		**18**	
Other receivables	15(2)	**17**	15
Inventories		**13,384**	12,378
Non-current assets due within 1 year			
Other current assets			
Total current assets		**28,064**	27,448
Non-current assets:			
Available-for-sale financial assets		**169**	179
Long-term equity investments	15(3)	**5,013**	4,248
Fixed assets		**50,887**	53,744
Construction in progress		**4,809**	3,559
Construction material		**216**	205
Intangible assets		**6,381**	6,469
Deferred income tax assets		**1,195**	1,189
Other non-current assets			
Total non-current assets		**68,670**	69,593
Total assets		**96,734**	97,041

Balance Sheet *(Continued)*
As at 30 June 2011

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

Liabilities and shareholders' equity	*Note*	**30 Jun. 2011**	31 Dec. 2010
Current liabilities:			
Short-term loans		**5,400**	8,300
Bills payable		**6,043**	3,794
Accounts payable		**3,778**	4,467
Advances from customers		**4,805**	5,846
Employee benefits payable		**348**	322
Tax and surcharges payable		**(1,352)**	(1,508)
Interest payables		**103**	79
Other payables		**1,982**	2,310
Non-current liabilities due within 1 year		**4,481**	5,541
Other current liabilities		**6,017**	3,023
Total current liabilities		**31,605**	32,174
Non-current liabilities:			
Long-term loans		**10,946**	10,057
Deferred tax liabilities		**57**	59
Other non-current liabilities		**684**	554
Total non-current liabilities		**11,687**	10,670
Total liabilities		**43,292**	42,844

Balance Sheet *(Continued)*
As at 30 June 2011

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

Liabilities and shareholders' equity	Note	30 Jun. 2011	31 Dec. 2010
Shareholders' equity:			
Share capital		**7,235**	7,235
Capital reserve		**31,513**	31,521
Special reserve		**86**	70
Surplus reserves		**3,570**	3,570
Undistributed profit		**11,038**	11,801
Total shareholders' equity		**53,442**	54,197
Total liabilities and shareholders' equity		**96,734**	97,041

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

Income Statement

For the six months ended 30 June 2011

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

Items		Note	Six months ended 30 Jun. 2011	2010
1. Operating income		15(4)	**45,338**	43,228
Less:	Operating costs for main business	15(4)	**41,655**	36,464
	Business tax and surcharges		**68**	132
	Selling expenses		**721**	740
	Administrative expenses		**1,542**	1,651
	Financial expenses		**728**	535
	Impairment losses on assets		**581**	385
Add:	gains/losses from fair value variation			
	Investment income	15(5)	**231**	253
Including:	Income from investment in jointly controlled enterprises and associates		**229**	252
2. Operating profit			**274**	3,574
Add:	Non-operating income		**106**	26
Less:	Non-operating expenses		**23**	18
Including:	Loss on non-current assets disposal		**22**	18
3. Profit before income tax			**357**	3,582
Less:	Income tax expenses		**35**	822
4. Net profit for the year			**322**	2,760
5. Other comprehensive income			**(8)**	(51)
6. Total comprehensive income			**314**	2,709

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

Cash Flow Statement

For the six months ended 30 June 2011

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

Items	*Note*	Six months ended 30 Jun. **2011**	2010
1. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		**45,013**	41,350
Refund of tax and fare received		**132**	
Other cash received relating to operating activities		**219**	73
Sub-total of cash inflows		**45,364**	41,423
Cash paid for goods and services		**39,020**	36,699
Cash paid to and on behalf of employees		**1,311**	1,326
Cash paid for all types of taxes		**878**	1,638
Other cash paid relating to operating activities		**583**	432
Sub-total of cash outflows		**41,792**	40,095
Net cash flow from operating activities	15(6)	**3,572**	1,328

Cash Flow Statement *(Continued)*

For the six months ended 30 June 2011

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

Items	*Note*	Six months ended 30 Jun. 2011	2010
2. Cash flows from investing activities			
Cash received from return of investments			
Cash received from investment income			66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**2**	4
Net cash received from the disposal of subsidiaries and other operating units			
Other cash received relating to investment activities		**18**	39
Sub-total of cash inflows		**20**	109
Cash paid for acquisition of fixed assets intangible assets and other long-term assets		**2,385**	172
Cash paid for acquisition of investments		**533**	825
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid relating to investment activities			
Sub-total of cash outflows		**2,918**	997
Net cash flow from investing activities		**(2,898)**	(888)

Cash Flow Statement *(Continued)*

For the six months ended 30 June 2011

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

Items	*Note*	Six months ended 30 Jun. 2011	2010
3. Cash flows from financing activities			
Cash received from absorbing investment			
Cash received from borrowings		**12,746**	14,990
Other cash received relating to financing activities			
Sub-total of cash inflows		**12,746**	14,990
Cash paid for settling debt		**12,840**	15,096
Cash paid for distribution of dividends or profit or reimbursing interest		**1,712**	1,103
Other cash payments relating to financing activities		**72**	32
Sub-total of cash outflows		**14,624**	16,231
Net cash inflow from financing activities		**(1,878)**	(1,241)
4. Effect of foreign exchange rate changes on cash and cash equivalents			
5. Net increase in cash and cash equivalents	15(6)	**(1,204)**	(801)
Add: Cash and cash equivalents at year-begin	15(6)	**2,542**	1,138
6. Cash and cash equivalents at the end of the year	15(6)	**1,338**	337

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

Statement of changes in shareholders' equity

As at 30 June 2011

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

	30 Jun. 2011							
Items	Share capital	Capital reserve	Lessen: 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	31,521		70	3,570		11,801	54,197
Add: Change of accounting policy								
Correction of Last accounting errors								
Other								
2. Balance as at 1 Jan. 2010	7,235	31,521		70	3,570		11,801	54,197
3. Increase/decrease in 2010 ("-" means loss)		(8)		16			(763)	(755)
(1) Net profit							322	322
(2) Other comprehensive income		(8)						(8)
Subtotal of (1) and (2)		(8)					322	314
(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							(1,085)	(1,085)
i. Appropriating surplus reserve								
ii. Appropriating general risk reserve								
iii. Distribution to Shareholders							(1,085)	(1,085)
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				16				16
i. Appropriation number of this year				18				18
ii. Using number of this year				(2)				(2)
4. Balance as at 31 Dec. 2010	7,235	31,513		86	3,570		11,038	53,442

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

Statement of changes in shareholders' equity *(Continued)*

As at 30 June 2011

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

				31 Dec 2010				
Items	Share capital	Capital reserve	Lessen: 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	31,510		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)		11		20	213		1,476	1,720
(1) Net profit							2,123	2,123
(2) Other comprehensive income		11						11
Subtotal of (1) and (2)		11					2,123	2,134
(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					213		(647)	(434)
i. Appropriating surplus reserve					213		(213)	
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				20				20
i. Appropriation number of this year				32				32
ii. Using number of this year				(12)				(12)
4. Balance as at 31 Dec. 2010	7,235	31,521		70	3,570		11,801	54,197

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

Notes to the Financial Statements

For the six months ended 30 June 2011
(Expressed in million RMB 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 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 in Aug 22, 2011.

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"), and the China Securities Regulatory Commission, "public offering of securities of the Company Information Disclosure Rule No. 15 - Financial Report of the General Provisions "(2010 Amendment) the disclosure requirements.

According to the relevant provisions of Accounting Standards, the Group has an accrual accounting basis. Except for certain financial instruments, the financial statements are on the basis of historical cost measurement. If assets are impaired, relevant provisions are made in accordance with relevant rules.

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 31 December 2010, the results of operation, the cash flow of the Group for the year then ended. 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 the calendar year from 1 January to 31 December.

(2) Functional currency

The functional currency is the currency of the primary economic environment in which the Group operated. The Group choose RMB as its functional currency.

The Group choose RMB as functional currency when the financial statements are presented.

(3) Business combinations

Business combination refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combinations are classified into the business combinations under the same control and the business combinations not under the same control.

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

(3) Business combinations *(Continued)*

(a) The business combinations under the same control

A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under the same control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise(s) is (are) the combined party. The "combining date" refers to the date on which the combining party actually obtains control on the combined party.

The assets and liabilities that the combining party obtained in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining 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 additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost occurred for 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

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under the same control, the party which obtains the control on other combining enterprise(s) on the purchase date is the acquirer, and other combining enterprise(s) is (are) the acquiree. The "acquisition date" refers to the date on which the acquirer actually obtains the control on the acquiree.

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. The direct cost for the business combination of the combining party shall, including the expenses for audit, legal services, assessment, and other administrative expenses be recorded into the profits and losses at the current period. The transaction expenses of the issued equity securities or liability securities for the consideration for the combination shall be recorded into the amount of initial measurement of the equity securities or liability securities.

The adjustment of the combined cost is likely to occur and can be reliably assured, contingent consideration shall be measured and its subsequent measurements effect goodwill. The relevant contingent consideration shall be recorded into the combination costs according to its fair values on the acquisition date, The goodwill should be adjusted if the new or further evidences of the exist situation on the acquisition date arises and results in the adjusting of contingent considerations within 12 months from the acquisition date.

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

(3) Business combinations *(Continued)*

(b) The business combinations not under the same control *(Continued)*

The combined cost of acquirer and the merger of the identifiable net assets should be measured in light of their fair values on the acquisition date. 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 as profit or loss of the current period.

(4) Preparation methods for consolidated financial statements

(a) Recognition principle of the scope of consolidation

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 all of the activities. The scope of consolidation includes the Company and its subsidiaries. Subsidiaries refer to enterprises or entities controlled by the Company.

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

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

(b) Preparation of consolidated financial statements

From the date on which the company acquire the control power of the net assets and the decision-making of the actual production and management, the Company begins to incorporate them into the scope of consolidation; from the date on which the company loss the effective control, the company stops to incorporate them into the consolidation scope. For the disposed subsidiary, operating results and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; for the disposed subsidiary during the reporting period, the opening balances of the consolidated balance sheet shall not be adjusted. For the subsidiary increased from business combinations not under the same control, its operating results and cash flows after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statements, and the opening balances of the consolidated financial statements and comparative figures should not be adjusted. For the subsidiary increased from business combinations under the same control, its operating results and cash flows from the beginning to the end of the reporting period in which combinations take place have been properly included in the consolidated income statement and consolidated cash flow statements, and adjust the comparative figures of the consolidated financial statements simultaneously.

If the accounting policy or accounting period of each subsidiary is different from that of the Company, the subsidiaries shall prepare financial statement again in compliance with the accounting policy and accounting period of the Company. For the subsidiary obtains from the business combinations not under the same control, its financial statements shall be adjusted based on the fair value of identifiable net assets of the acquisition date.

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

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

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

All significant balances of the amounts receivables or payables, transactions and unrealized profits of the intragroup shall be eliminated when preparing the consolidated financial statements.

The portion of the subsidiary's equity and net profits that are not attributable to the Company shall be presented as "Minority Equity" and "Minority Interest" on the consolidated financial statements under the owners' equity and the net profits respectively. Subsidiary's net profit or loss for the period attributable to minority interest shall be presented in the consolidated income statement below the "net profits" as "Minority Interests". When the amounts of the loss for the current period attributable to minority's shareholders of subsidiary exceed the Minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amounts should offset the minority interest.

(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 arising difference shall be recorded into the profits and losses at the current period, except:

(1) Arising from foreign currency borrowings for the purchase and construction or production of qualified assets shall be subject to the Accounting Standards for Business Enterprises No. 17 - Borrowing Costs;

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

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

(b) Translation of financial statements listed in foreign currency *(Continued)*

(2) The profits and losses arising from the change in the fair value of an available-for-sale financial asset shall be included directly in the owner's equity with the exception of impairment losses and the difference arising from foreign exchange conversion of other carrying amounts variation from cash available sale financial assets in any foreign currency with the exception of post-amortization cost shall be recorded into the other comprehensive income.

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 of fair value ascertained, and the translation difference, treated as the variation of fair value (include the variation of exchange rate), shall be recorded into the profits and losses at the current period or other comprehensive income and included into the capital reserve.

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

(7) Financial instruments

(a) The method for determining the fair value of financial assets and liabilities

The fair value refers to the amount, at which both parties of a transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions. For which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market refer to the prices, which are easily available from the stock exchanges, brokers, industry associations, pricing service institutions and etc. at a fixed term, and which represent the prices at which actually occurred market transactions are made under fair conditions.

Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value. The result obtained by adopting value appraisal techniques shall be able to reflect the transaction prices that may be adopted in fair dealings on the value appraisal day. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

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

(7) Financial instruments *(Continued)*

(b) Classification of financial assets, recognition and measurement

Conventionally trading financial assets, shall be accounting recognized and termination recognized according to the trading date. Financial assets shall be classified into the following four categories when they are initially recognized: the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, the investments which will be held to their maturity, loans and the account receivables, and financial assets available for sale. Initial recognition of financial assets is measured at their fair values. For the financial assets measured at their fair values and of which the variation is recorded in to the profits and losses of the current period, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period; for other categories of financial assets, the transaction expenses thereof shall be included into the initially recognized amount.

(i) The financial assets shall be measured at fair values and the variation of which shall be recorded into the current profits and losses,

Include 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;

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

(7) Financial instruments *(Continued)*

(b) Classification of financial assets, recognition and measurement *(Continued)*

(i) The financial assets shall be measured at fair values and the variation of which shall be recorded into the current profits and losses, *(Continued)*

The financial assets meeting any of the following requirements shall be classified as transactional financial assets:

(1) The purpose to acquire the said financial assets is mainly for selling of them in the near future;

(2) Forming a part of the identifiable combination of financial instruments Which are managed in a centralized way and for which there are objective evidences proving that the enterprise may manage the combination by way of short-term profit making in the near future;

(3) Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

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

(7) Financial instruments *(Continued)*

(b) Classification of financial assets, recognition and measurement *(Continued)*

(i) The financial assets shall be measured at fair values and the variation of which shall be recorded into the current profits and losses, *(Continued)*

The financial assets meeting any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses:

(1) The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;

(2) The official written documents on risk management or investment strategies of the enterprise concerned have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel.

The financial assets measured at fair values and the variation of which be recorded into the current profits and losses should be subsequently measured at their fair values, and gains or losses from variations of such financial assets, and related dividends and interest income should be included in the current profits and losses.

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

(7) Financial instruments *(Continued)*

(b) Classification of financial assets, recognition and measurement *(Continued)*

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

Refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of REPO price and which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity.

Investments held to maturity shall be measured on the basis of the post-amortization costs by adopting the actual interest rate method, the gains or losses arising from de-recognition, and impairment or amortization shall be included in the current profit or loss.

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes or interest expenses of different installments are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities).

The actual interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability.

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

(7) Financial instruments *(Continued)*

(b) Classification of financial assets, recognition and measurement *(Continued)*

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

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking all the contractual provisions concerning the financial asset or financial liability (including the right to repay the loan ahead of schedule, call options, similar options and etc.) into account, and the future credit losses shall not be taken into account. The various fee charged, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate, shall be taken into account in the determination of the actual interest rate.

(iii) Loans and the account receivables

Loans and accounts receivable refer to the non-derivative financial assets for which there is no quoted price in the active market and of which the REPO amount is fixed or determinable. The Group's loans and receivables classified as financial assets include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables.

Loans and accounts receivable shall be measured on the basis of the post-amortization costs by adopting the actual interest rate method, the gains or losses arising from de-recognition, impairment or amortization shall be included in the current profit or loss.

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

(7) Financial instruments *(Continued)*

(b) Classification of financial assets, recognition and measurement *(Continued)*

(iv) Financial assets available for sale

Refers to the non-derivative financial assets which are designated as sellable when they are initially recognized as well as the financial assets other than those as described below: loans and accounts receivables; Investments held until their maturity; and financial assets red at their fair values and of which the variation is recorded into the profits and losses of the current period.

Financial assets available for sale shall be measured on adapting to the fair value. The profits and losses arising from the change in the fair value of a sellable financial asset shall be included directly in the owner's equity with the exception of impairment losses and the gap arising from foreign exchange conversion of cash financial assets in any foreign currency, and when the said financial asset is stopped from recognition and is transferred out, it shall be recorded into the profits and losses of the current period.

The interests and the cash dividends that the investee announces the distribution 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) Impairment of financial assets

An enterprise shall carry out an inspection, on the balance sheet day, on the carrying amount of the other financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

An 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 included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test. Where, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test. The financial assets which have suffered from an impairment loss in any single amount shall not be included in any combination of financial assets with similar risk features for any impairment test.

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

(7) Financial instruments *(Continued)*

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

(i) Held to maturity investments, loans and receivables impairment

Where a financial asset measured on the basis of post-amortization costs is impaired, the carrying amount of the said financial asset shall be written down to the current value of the predicted future cash flow (excluding the loss of future credits not yet occurred), and the amount as written down shall be recognized as loss of the impairment of the asset and shall be recorded into the profits and losses of the current period.

Where any financial asset measured on the basis of post-amortization costs is recognized as having suffered from any impairment loss, if there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period. However, the reversed carrying amount shall not be any more than the post-amortization costs of the said financial asset on the day of reverse under the assumption that no provision is made for the impairment.

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

(7) Financial instruments *(Continued)*

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

(ii) Impairment of available-for sale financial asset

Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the accumulative losses arising from the decrease of the fair value of the capital reserve which was directly included shall be transferred out and recorded into the profits and losses of the current period. The accumulative losses that are transferred out shall be the balance obtained from the initially obtained costs of the sold financial asset after deducting the principals as taken back, the current fair value and the impairment-related losses as was recorded into the profits and losses of the current period.

After impairment loss is made, if there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed.

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

(7) Financial instruments *(Continued)*

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

(ii) Impairment of available-for sale financial asset *(Continued)*

As for the sellable debt instruments the originally recognized impairment-related losses shall be reversed and recorded into the profits and losses of the current period. Be recorded into the profits and losses of the current period. As for the sellable equity instruments the originally recognized impairment-related losses shall be reversed and recorded into the other comprehensive income the impairment-related losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument and which shall be settled by delivering the said equity instrument, may not be reversed.

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

(7) Financial instruments *(Continued)*

(d) Recognition and measurement of transfer of financial assets

If financial assets meet any one of conditions as follows, financial assets shall be derecognized:

(1) Derecognized the contract right of receiving the cash flow of the financial asset;

(2) Transferred the financial asset to another party and has transferred nearly all the risks and rewards related to the ownership of which to the transferee;

(3) Transferred the financial asset to another party, although does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset but it gives up its control over the financial asset.

Where an enterprise does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset and does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly. Continuous involvement in the transferred financial asset refers to the risk level that the enterprise faces resulting from the change of the value of the financial asset.

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

(7) Financial instruments *(Continued)*

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

(3) Transferred the financial asset to another party, although does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset but it gives up its control over the financial asset. *(Continued)*

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;

ii. The sum of consideration received from the transfer, and the accumulative amount of the variation in fair value previously recorded into the other comprehensive income.

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

(7) Financial instruments *(Continued)*

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

(3) Transferred the financial asset to another party, although does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset but it gives up its control over the financial asset. *(Continued)*

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 other comprehensive income.

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

(7) Financial instruments *(Continued)*

(e) Classification and Measurement of financial liabilities

Financial liabilities shall be classified into the financial liabilities measured at their fair value and the variation of which shall be recorded into the current profits and losses and other financial liabilities when they are initially recognized:

The financial liabilities initially recognized by an enterprise shall be measured at their fair values. For financial liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period; for other categories of financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

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

The classified conditions of 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 is the same as transactional financial asset and the designated financial asset which are measured at their fair values and of which the variation is included in the current profits and losses.

An enterprise shall make subsequent measurement on its the designated financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses according to their fair values. The profits and losses arising from the change in the fair value, the interest or cash dividend which was gained in the period are recognized into the profits and losses of the current period.

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

(7) Financial instruments *(Continued)*

(e) Classification and Measurement of financial liabilities

(ii) Other financial liabilities

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 settle by delivering equity instrument, shall be measured at costs. An enterprise shall make subsequent measurement on its other financial liabilities on the basis of the post-amortization costs by adopting the actual interest rate method. The profits and losses that arise when such financial liabilities are terminated from recognition, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

(f) The termination of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where an enterprise (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period the gap between the carrying amount which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

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

(8) Account receivables

Account receivables include trade debtors and other trade debtors.

(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

Where there is any objective evidence that the company can hardly recover any of the account receivables according to the original terms, the account receivables shall be subject to impairment test and the difference between the current valve of the expected future cash flow of the assets and book value shall be made as impairment provision. The reduced amount shall be recognized as the loss of asset impairment and recorded into current profits or losses.

(c) The Company regard account receivables above 30 million as account receivable with single significant amount; The Company regard other receivables above 10 million as other receivables with single significant amount.

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

(8) Account receivables *(Continued)*

(d) 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.

(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.

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

(9) Inventories *(Continued)*

(c) Recognition of the net realizable value of inventory and measurement of provision for decline in value of inventories

The net realizable value refers to in the daily business activity the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories. An enterprise shall confirm the net realizable value of inventories on the ground of reliable evidence obtained, taking into consideration of the purpose for holding inventories and the effects of events occurring after the date of the balance sheet. On balance sheet date, the inventories shall be measured at r of lower of the cost and the net realizable value. 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. 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.

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

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

(9) Inventories *(Continued)*

(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.

(10) Long-term equity investments

(a) Initial Measurement

The initial cost of the long-term equity investment formed in the merger of an enterprise, for the merger of enterprises under the same control, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. For the long-term equity investment obtained by business combination not under the same control, on the date of combination, the initial cost of long-term equity investment shall be the summation of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquire. The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment, legal services and other administrative expenses be recorded into the profits and losses at the current period. The transaction expenses of the issued equity securities or liability securities for the consideration for the combination, shall be recorded into the amount of initial measurement of the equity securities or liability securities

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

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

(a) Initial Measurement *(Continued*

Besides long-term equity investment obtained by business combination, the initial cost of long-term equity investment obtained by other means shall be ascertained in 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.

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

(i) A long-term equity investment of an investing enterprise, which 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. 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. A long-term equity investment of an investing enterprise, which is not to control the invested enterprise, also does not do joint control or does not have significant influences on the invested entity, and has quoted price in the active market and its fair value can be reliably measured, are stated as available-for-sale financial assets.

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)*

In addition, a long-term equity investment of an investing enterprise, which is able to control the invested enterprise, is stated by employing cost method.

i. The long-term equity investment stated by employing cost method

The long-term equity investment stated by employing cost method shall be measured at initial investment cost. In addition to the actual payment when it obtains the investment and the cash dividends and profits announced, which is included in consideration, the dividends or profits declared to distribute by the invested entity shall be recognized as the current investment income.

ii. A long-term equity investment of the investing enterprise stated by employing equity method

When a long-term equity investment of the investing enterprise is 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.

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 stated by employing equity method *(Continued)*

When a long-term equity investment of the investing enterprise is stated by employing equity method, the investment profits or losses is recognized in accordance with the proportion of the net profits or losses of the invested entity attributable to the Company. The investing enterprise shall ascertain attributable to 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. All unrealized profits of the intragroup with the join controlled companies and associates which attributable to the Company shall be eliminated when preparing the consolidated financial statements, then ascertained the investment income. But if the adjustment for unrealized inter-group losses made to the invested is losses of transfer of assets impairment, the losses shall not be offset according to the principles of the Accounting Standards for Enterprises No.6-Impairment of Assets. For the other comprehensive income of an investing enterprise, the book value of the long-term equity investment shall be adjusted to the other comprehensive accordingly and the amount of it shall be recorded into capital reserves

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 stated by employing equity method *(Continued)*

An investing enterprise shall recognize the net losses of the invested enterprise until 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 obligation to undertake extra losses. In addition if the company has the extra obligation of its investing enterprise to undertake extra losses, the extra obligation shall be recognized as projected liability according to expected obligation. If the invested entity realizes any net profits in the subsequent periods, the investing enterprise shall resume recognizing its attributable to share of profits after its attributable share of profits offsets against its attributable share of the un-recognized losses.

iii. The acquisition of minority interest

For the preparation of the consolidated financial statements, as for the difference between the new long-term equity investment because of buying minority interest and, the net assets, which is continuously obtained since the acquisition date, be measured in accordance with new proportions, the capital reserve shall be adjusted by the difference. If the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

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)*

iv. Disposition of a long-term equity investment

In the consolidated financial statements, where the parent company dispose part of the parents' long-term equity investment in each subsidiary without losing control, the difference between the disposal price and the net asset corresponding to the disposed long-term equity investment shall be measured to equity. Where the parent company lost the control of subsidiary companies because dispose part of the parents' long-term equity investment, see Note. 4 (b).

The disposal of long-term equity investment by other means, for disposed long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. The portion of other comprehensive income previously included in the owner's equity shall, when disposing of a long-term equity investment measured by employing the equity method, be transferred to the current profits and losses according to a certain proportion. The remaining equity shall be measured as long-term equity investment or other related financial assets according to its book value and shall be subsequently measured according to related accounting policy. The remaining equity measured by employing the equity method changed from the cost method shall be retrospective adjusted as prescribed in these standards.

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

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

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

The term "control" refers to the power to determine the financial and operating polices of an enterprise and obtain benefits from its operating activities of the enterprise. The term "joint control" refers to the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties of the economic activity with one an assent on sharing the control power over the relevant important financial and operating decisions. The term "significant influences" refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the formulation of these policies. When ascertaining whether or not it is able to control or have significant influences on an invested entity, an enterprise shall take the invested enterprises' current convertible corporate bonds and current executable warrants held by the investing enterprise and other parties, as well as other potential factors concerning the voting rights into consideration.

(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. If there is sign of impairment, the estimated recoverable value shall be ascertained. When the recoverable value of the assets 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.

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

(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.

(b) Classification and depreciation method

The initial measurement of a fixed asset shall be made at its cost and the expected discard expenses shall be taken into consideration.

From the next month of bringing the fixed asset to the expected conditions for use, the 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

The "expected net salvage value" refers to the expected amount that an enterprise may obtain from the current disposal of a fixed asset after deducting the expected disposal expenses at the expiration of its expected useful life.

(c) Method of impairment test and measurement of provision

Method of impairment test and measurement of provision of fixed assets, see Note 15.

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

(11) Fixed assets *(Continued)*

(d) The recognition criteria and valuation methods of fixed assets gained through financial lease

The "finance lease" shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. The ownership of it may or may not eventually be transferred. 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.

(e) Other explanations

The subsequent expenses related to a fixed asset, if the economic benefits pertinent to the fixed asset are likely to flow into the enterprise and the cost of the fixed asset can be measured reliably, they shall be included in the cost of fixed asset and the book valve of the replaced parts shall be derecognized; otherwise, they shall be included in the current profits and losses:

When an enterprise sells transfers or discards any fixed asset, or when any fixed asset of an enterprise is damaged or destroyed, the enterprise shall deduct the book value and relevant taxes from the disposal income, and include the excess in the current profits and losses.

The useful life estimated residual values and depreciation method of the fixed assets shall be checked periodically, and be adjusted timely as changes in accounting estimates if necessary.

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

(12) Construction in progress

The cost of construction in progress shall be measured according to the actual expenditure for the construction in progress. The cost includes the expenditure for the construction in progress during the construction period, capitalized borrowing costs before the construction is ready for its intended use and other related costs. Construction in progress is transferred to fixed assets when it is ready for its intended use.

Method of impairment test and measurement of provision of construction in progress, see Note 15.

(13) Borrowing costs

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. Where the borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, when the asset disbursements have already incurred, the borrowing costs has already incurred; and The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started, it shall be capitalized and recorded into the costs of relevant assets. When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

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

(13) Borrowing costs *(Continued)*

The actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment shall be capitalized. 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.

During the period of capitalization, the exchange balance on foreign currency borrowings shall be capitalized. The exchange balance on foreign currency borrowings shall be recorded into the current profits and losses.

The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

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, till the acquisition and construction or production of the asset restarts.

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

(14) Intangible assets

(a) Intangible assets

The term “intangible asset” refers to the identifiable non-monetary assets possessed or controlled by enterprises which have no physical shape.

The intangible assets shall be initially measured according to its cost. The subsequent expenses related to an intangible asset, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, they shall be included in the cost of intangible asset. The other expenditures for an intangible item of an enterprise shall all be recorded into the profit or loss for the current period.

The right to use the land is usually stated as intangible assets. The expenditure of the right to use the land and the cost of the constructions associated with the plant which is self-developed, shall be stated as intangible assets or fixed assets separately. If the buildings and plants are purchased, the relevant cost shall be allocated among the right to use the land and plants; if it is hard to allocate, all the relevant cost shall be stated just as fixed assets.

An enterprise shall amortize intangible assets with limited service life from the time when it is available for use. 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 uncertain service life may not be amortized.

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

(14) Intangible assets *(Continued)*

(a) Intangible assets *(Continued)*

The Group shall periodically check the service life and the amortization method of intangible assets with definite service life and adjust its service life as changes in accounting estimates if necessary. In addition an enterprise shall check the service life of intangible assets with uncertain service life during each accounting period. Where there are evidences to prove the period of bringing economic benefits for the enterprise by the intangible assets can be expected, it shall be estimated of its service life, and be treated as intangible assets with certain service life

(b) 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, otherwise the development expenditures shall be recorded into current profits and loses:

(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;

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

(14) Intangible assets *(Continued)*

(b) Expenditures on research and development *(Continued)*

(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.

If the expenditures can hardly be classified into expenditures on the research phase and expenditures on the development phase, they shall be recorded into current profits and loses completely.

(c) Method of impairment test and measurement of provision

Method of impairment test and measurement of provision of intangible assets, see Note 15.

(15) Impairment of non-current and non-financial assets.

For the non-current and non-financial assets such as fixed assets, construction in progress, intangible assets with limited service life, investment real estates measured through the cost pattern, long-term equity investments in the subsidiary companies, joint ventures and associated enterprises, an enterprise shall, on the day of balance sheet, make a judgment on whether there is any sign of possible assets impairment. Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated and the enterprise shall make an impairment test of assets. No matter whether there is any sign of possible assets impairment, the business reputation formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year.

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

(15) Impairment of non-current and non-financial assets. *(Continued)*

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the reduced amount shall be recognized as the loss of asset impairment and a provision for the asset impairment shall be made accordingly. The recoverable amount shall be determined 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 net amount of the fair value of an asset shall be ascertained according to the price of sales agreement in fair transaction. Where there is no sales agreement but there is an active market of assets, the net amount of the fair value of an asset shall be determined according to the price bidden by the buyer of the asset. Where there is no sales agreement and no active market of assets, the net amount of estimated fair value of an asset shall be estimated in light of the best information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, truck age as well as the direct expenses for bringing the assets into a marketable state. The current value of the expected future cash flow of an asset shall be determined by the discounted cash with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of an asset. Where there is any evidence indicating a possible impairment of assets, the enterprise shall, on the basis of single item assets, estimate the recoverable amount. 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 term "combination of group assets" refers to the minimum combination of group assets formed by several asset groups.

Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

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

(16) Contingent Liability

The obligation, pertinent to Contingencies, shall be recognized as contingent 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.

The contingent liability shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation at the balance sheet date. 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.

When all or some of the expenses necessary for the liquidation of an estimated debts of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of the estimated debts.

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

(17) Revenue

(a) 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.

(b) 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.

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

(17) Revenue *(Continued)*

(b) Revenue from rendering of services *(Continued)*

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously:

(i) The amount of revenue can be measured in a reliable way;

(ii) The relevant economic benefits are likely to flow into the enterprise;

(iii) The schedule of completion under the transaction can be confirmed in a reliable way;

(iv) The costs incurred or to be incurred in the transaction can be measured in a reliable way.

Where the outcome of service rendering cannot be estimated reliably, 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; and the service shall be stated as current expense. If the costs incurred are not expected to be recoverable, no service revenue is recognized.

Where a contract or agreement signed between enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of providing labor services shall be conducted as providing labor services. If the part of selling goods and the part of providing labor services cannot be distinguished from each other, or if the part of sale of goods and the part of providing labor services can be distinguished from each other but could not be measured respectively, both parts shall be conducted as selling goods.

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

(17) Revenue *(Continued)*

(c) Royalty revenue

The amount of royalty revenue should be measured and confirmed through accrual basis accounting in accordance with the relevant contract or agreement.

(d) Interest revenue

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;

(18) Government grants

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;

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

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. The government grants measured at its nominal amount shall be directly included in the current profits and losses.

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

(18) Government grants *(Continued)*

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.

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:

(1) 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;

(2) If there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

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

(a) Income taxes

On the balance sheet day, the current income tax liabilities (or assets) incurred in the current period or prior periods shall be measured in light of the expected payable (refundable) amount of income taxes according to the tax law. The taxable income of enterprises, the basis of the measurement of the income tax, shall be measured according to the adjusted accounting profit before tax for the year by tax low.

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

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

(b) 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.

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

i. The initial recognition of business reputation;

ii. The initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:

(i) The transaction is not business combination;

(ii) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

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

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

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

ii. The initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following: *(Continued)*

In addition, the taxable temporary differences related to the investments of subsidiary companies, associated enterprises and joint controlled enterprises shall recognize corresponding deferred income tax liabilities. However, those that can simultaneously meet the following conditions shall be excluded:

(i) The investing enterprise can control the time of the reverse of temporary differences;

(ii) The temporary differences are unlikely to be reversed in the excepted future.

An enterprise shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. However, the deferred income tax assets, which are arising from the initial recognition of assets or liabilities during a transaction which is simultaneously featured by the following, shall not be recognized:

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

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

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

ii. The initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following: *(Continued)*

(i) This transaction is not business combination;

(ii) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint controlled enterprises can meet the following requirements simultaneously, the enterprise shall recognize the corresponding deferred income tax assets:

(i) The temporary differences are likely to be reversed in the expected future;

(ii) It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

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 determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

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

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

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

ii. The initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following: *(Continued)*

On the balance sheet day, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

The carrying amount of deferred income tax assets shall be reexamined on balance sheet day. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the carrying amount of the deferred income tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

(c) Income tax expenses

The income tax expenses include current income tax and deferred income tax.

The current income tax and deferred income tax, related to the transaction of other comprehensive income or recorded into share holds' equity, is recognized as other comprehensive income or recorded into share holds' equity, and the deferred income tax of consolidation is adjusted as the book value of goodwill. The other income tax and deferred income tax is recorded into current profits or losses.

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

(20) Leases

The "finance lease" shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. The ownership of it may or may not eventually be transferred. The term "operating lease" shall refer to a lease other than a financing lease.

(a) The Group recorded operating leases as lessee

The rents from operating leases shall be recorded by the lessee in the relevant asset costs or 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 by a lessee shall be recognized as 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.

(b) The Group recorded operating leases as lessor

The rents from operating leases shall be recorded 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 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.

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

(20) Leases *(Continued)*

(c) The Group recorded finance leases as lessee

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. In addition, the negotiation and signing of the lease occurs during the lease contract may be attributable to the leased items are also included in the initial direct costs of leased assets. Minimum lease payments net of finance charges not recognized long-term liabilities, respectively, and the balance due within one year term liabilities.

The lessee shall adopt the effective interest rate method to calculate and recognize the financing charge in the current period. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

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

(20) Leases *(Continued)*

(d) The Group recorded financial leasing as lessor

On the beginning date of the lease term, a lessor shall 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. Finance lease receivables net of unearned finance income, respectively, after the balance due within one year long-term debt and long-term debt losses.

The lessor shall calculate the financing income at the current period by adopting the effective interest rate method. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

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

(21) Employee compensation

During the accounting period of the employees providing services to the Group, the enterprise shall recognize the compensation payable as liabilities.

Required to participate in the Group set up by the government workers social security system, including pensions, medical insurance, housing fund and other social security system, the corresponding expenditure is included in the event the cost of related assets or the profit or loss.

Before the lifting of the employment contracts of labor relations with employees, or encourage employees to accept voluntary redundancy offer of compensation proposal, if the Group has a formal termination of employment relationship or a voluntary reduction will be implemented immediately, while the company cannot unilaterally withdraw from the termination or reduction of the proposed scheme, confirmed the cancellation of labor relations with employees expected liabilities arising from compensation and profit or loss.

The early retirement plan adopts the same principles as termination benefits. The Group will provide services to workers to stop the normal retirement date within the period to be paid back to pay salaries and social insurance, subject to the conditions expected to be recognized in profit or loss (termination benefits).

(22) Changes of the Significant accounting policies and estimates

In the year of 2010, the Group has no the changes of the Significant accounting policies and estimates.

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

(23) Corrections of Prior Period Errors

In the year of 2010, the Group has no the Corrections of Prior Period Errors.

(24) Significant accounting judgments and estimates

In application of the accounting policies, for the uncertainty of business operation, the Company needs to determine, estimate, or make assumption on the book value of report subjects which are not able to be precisely measured.

These determinations, estimations, or assumptions are made upon the Company's experiences and with references to other relative factors. They will affect the report value of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, their uncertainty may results in significant adjustment of the book value of assets or liabilities affected in the future.

The Company performs periodic revision on the above determinations, estimations, and assumptions on the basis of constant operation. When a change in accounting estimation is just influencing the current term, its influenced amount is recognized in the current term. When a change is influencing not only the current term but also the future terms, its influenced amount is recognized in the current term and also the future terms.

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

(24) Significant accounting judgments and estimates *(Continued)*

At the balance sheet date, the Group financial statements required critical judgments, estimates and assumptions are as follows:

(a) Provision for bad debts

The Group use allowance method to state bad debt losses according to the accounting policies of accounts receivable. Impairment of receivables is based on the assessment of the recoverability of accounts receivable. Identification of impairment of receivables requires management judgments and estimates. The differences between actual results and the original estimate will affect the book value of accounts receivable as well as the recognition or reversal of provision for bad debts in the period in which the estimate is changed.

(b) Provision for inventories

According to the inventory accounting policy, the Group adopts the lower of cost and net realizable value method to state inventories, and recognizes provision for inventories on the condition that the cost of them is higher on the net realizable value or they are slow moving or obsolete. Inventories to net realizable value are based on the evaluation of inventories sold and its net realizable value. Identification of inventories requires management to make judgments and estimates on the basis of obtaining conclusive evidence, and considering the purpose of holding inventory and the events after balance sheet date Actual results and the differences between the original estimates will be changed during the estimated book value of inventories and inventory impairment provision or reversed. The differences between actual results and the original estimate will affect the book value of inventories as well as the recognition or reversal of provision for inventories in the period in which the estimate is changed.

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

(24) Significant accounting judgments and estimates *(Continued)*

(c) Impairment of financial assets available for sale

The Group determines whether the impairment of financial assets available for sale to a large extent depending on management's judgments and assumptions, and to determine whether the impairment loss is recognized in the income statement. In the process of making the judgments and assumptions, the Group is required to assess to what extent the fair value is lower than the investment cost and the duration of it, as well as the financial position and short-term business outlook, including industry conditions, technological change, the credit rating, default rates, and counterparty risk, of the object to be invested,.

(d) Impairment of non-financial non-current assets

The Group determined whether there is evidence of possible impairment for non-current assets except financial assets at the balance sheet date. Intangible assets of indefinite useful life, in addition to annual impairment tests, when it exists signs of impairment, it is tested for impairment. In addition to financial assets other than non-current assets, when there are indications that the carrying amount may not be recoverable, impairment testing.

When the asset or asset group's carrying value exceeds its recoverable amount, being the higher between the net of fair value minus the disposal costs and the present value of expected future cash flows, impairment has occurred.

The net of fair value minus the disposal costs, is recognized by taking away the directly attributable incremental costs of the disposal of assets from the trade price in fair trade of similar assets or observable market price.

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

(24) Significant accounting judgments and estimates *(Continued)*

(d) Impairment of non-financial non-current assets *(Continued)*

It is required to make significant judgments on the yield, price, related operating costs of the assets (or assets group) and the discount rate used to calculate the present value when estimating the present value of the cash flows. The Group estimates the recoverable amount by using of all relevant information obtainable, including the forecast of yield, price, and related operating costs on the basis of reasonable and supportable assumptions.

(e) Depreciation and amortization

The Group's fixed assets and intangible assets, after taking the residual value into account, are depreciated and amortized with the straight-line method in their useful lives. The Group regularly review the service life to determine depreciation and amortization costs in each reporting period. The Group determine the useful life of assets on the basis of experience of similar assets as well as expected technical updates. If the estimates are changed significantly, the depreciation and amortization costs will be adjusted in the future.

(f) Deferred tax assets

If it is likely to obtain sufficient taxable income taxes to offset the benefit deductible, the Group confirmed all the unused tax losses into the deferred income tax assets. In order to determine the amount of deferred tax assets, the Group's management is required to use large judgments as well as tax planning strategies to estimate the time and amount of the occurrence of the taxable profits in the future.

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

(24) Significant accounting judgments and estimates *(Continued)*

(g) Income tax

There are some transactions whose ultimate tax treatment exist some uncertainties in the ordinary business activities of the Group. Whether part of the project can be deducted from the benefit taxable is needed to be approved by tax authorities. If there is difference between final results identified and initially estimated, the difference will be effect current income tax and deferred tax.

(h) Early retirement benefits and supplemental retirement benefits

The amount of early retirement benefits of the Group and supplementary retirement benefit expenses and liabilities is determined, the amount determined based on various assumptions. These assumptions include the discount rate, the average medical cost growth, the retired officers and retired officers' subsidy rate and other factors. Differences in actual results and assumptions will be recognized immediately in the event of the year and included in cost. Although management believes that reasonable assumptions have been used, but the actual experience values and changes in assumptions will affect the balance of the company's early retirement benefits and additional retirement benefits costs and liabilities.

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

(24) Significant accounting judgments and estimates *(Continued)*

(h) Early retirement benefits and supplemental retirement benefits *(Continued)*

(i) Estimated liabilities

The Group use contract article, the existing knowledge and historical experience, to recognize the provision for product quality assurance, expected contract losses, and penalty resulted in delayed delivery. On the condition that such contingent matters has formed a present obligation which is expected to give rise to an outflow of the Group's economic benefits, the Group recognize the best estimate of expenditure needed in settle of relevant current obligation as accrued liabilities. Recognition and measurement of liabilities is expected to rely heavily on management's judgments. In the judging process, the Group need evaluation such contingencies related risks, uncertainties and the time value of money and other factors.

5. TAXATION

Principal tax and tax rate

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

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	Company type	Legal representative	Organization code	Actual investment at the end of the year	Other essential investment
Angang Steel Logistics (Wuhan) Company Limited ("Angang Wuhan")	Wholly-owned subsidiary	Wuhan	Steel Processing and Distribution	108	Steel and related products production, processing, wholesale and retail	Co., Ltd.	Li Baojie	67583176-9	108	
Angang Cold Rolled Steel Plate (Putian) Co., Ltd. ("Angang Putian")	Wholly-owned subsidiary	Putian	Steel processing Distribution	1100	Processing of ferrous metal rolling, rolled steel products, metallurgy parts manufacturing, sales of steel products, processing of steel products and related services	Co., Ltd.	Cao Pizhi	55097071-4	1100	
Angang Steel Materials Delivery (Hefei) Co., Ltd. ("Angang Hefei")	Wholly-owned subsidiary	Hefei	Steel Processing and Distribution	97.5	Steel and related products production, processing, wholesale and retail	Co., Ltd.	Dong Haoran	57302266-1	97.5	

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 Steel Logistics (Wuhan) Company Limited	100	100	Yes			
Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	100	100	Yes			
Angang Steel Materials Delivery (Hefei) Co., Ltd.	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	Company type	Legal representative	Organization code	Actual investment at the end of the year	Other essential investment
Tianjin Angang Tian Tie Cold Rolled Sheets Company Limited ("Tianjin Tiantie")	Equity joint venture	Tianjin	Steel processing Distribution	3,700	Steel processing and sale	Co., Ltd.	Chen Ming	75224243-2	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 Angang Tian Tie Cold Rolled Sheets Company Limited	50	50	Yes	1,201		

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

(1) Subsidiary *(Continued)*

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

Tianjin Tiantie was established jointly by the Group and Tianjin metallurgical holding ("Tiantie group").The proportion of shareholding of two parts is 50% respectively. According to the Articles of Tianjin Tiantie:

(a) Tiantie's financial and operational policy is in conformance with that of the Group.

(b) Chairman of the board is recommended by the Group.

(c) The board consists of nine directors of which five are recommended by the Group and four are recommended by the Tiantie Group (Resolution of the board passed by agreed over half of the directors of board).

(d) Financial controller is recommended by the Group.

For above-listed reasons, the Group has control power over the Tianjin Tiantie, so Tianjin Tiantie is included among consolidation scope.

(2) The change of the consolidation scope

Angang Hefei is a newly established subsidiary and included among consolidation scope.

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

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

Name	Net assets at the end of the year	Net profits of the year
Angang Hefei	97	

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the notes below (including notes to parent financial statements), unless otherwise special indicated, the ending of the year is 30 Jun. 2011, the beginning of the year is 1 Jan. 2011, the "this year" is six months ended at 30 Jun. 2011, the "last year" is six months ended at 30 Jun. 2010.

(1) CASH AT BANKS AND ON HAND

Items	**Ending balance**	Beginning balance
Cash on hand	**1**	1
Cash at banks	**2,149**	2,975
Other monetary capital	**279**	675
Total	**2,429**	3,651

Note: Cash at banks and on hand this year decreased by 33% comparing with last year, mainly because of 3,458 million of net cash inflow from operating activities, 3,089 million of net cash outflow from investing activities and 1,591 million of net cash outflow from financing activities.

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

(2) BILLS RECEIVABLE

(a) Classification of bills receivable

Items	Ending balance	Beginning balance
Bank acceptance bills	**3,534**	3,703
Total	**3,534**	3,703

(b) Bills receivable used for mortgage (the top five by significant amount)

Issuer	Issuing date	Issuing date	Balance	Notes
Yehui (China) Ttechnological Material Co, Ltd.	Apr 2011	Oct 2011	70	mortgage for loans
Shanxi Coal Group International Trade Co., Ltd.	Apr 2011	Oct 2011	14	mortgage for loans
Yichang Three Gorges Quantong Coated and Galvanized Plate Co., Ltd	Apr 2011	Oct 2011	8	mortgage for loans
China Petrol Material Cangzhou Co. (Peking Branch).	Apr 2011	Oct 2011	7	mortgage for loans
Jiangsu Snow Electronic Appliance Co., Ltd.	Apr 2011	Oct 2011	5	mortgage for loans
Total			104	

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

(2) BILLS RECEIVABLE *(Continued)*

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

(d) Outstanding undue endorsed bills (the top five by significant amount)

Issuer	Issuing date	Issuing date	Balance	Whether de-recognition	Notes
Yehui (China) Ttechnological Material Co, Ltd.	Jan to Jun 2011	Jul to Dec 2011	239	Yes	
China Railway Material (Shenyang) Co., Ltd.	Jan to Apr 2011	Jul to Oct 2011	219	Yes	
Dalian Shipingbuilding Industry (Group) Co., Ltd.	May 2011	Nov 2011	100	Yes	
STX (Dalian) Shipbuilding Co., Ltd.	Jan to Jun 2011	Jul to Dec 2011	93	Yes	
Dongguan Maersk Container Industry Co., Ltd.	Apr to Jun 2011	Jul to Sep 2011	70	Yes	
Total			721		

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

(3) ACCOUNTS RECEIVABLE

(a) Classified by account nature

Items	Ending balance			
	Book balance		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Accounts receivable with significant single amount on which bad debt provision made individually	**2,542**	**92**		
Other accounts receivable with insignificant single accounts on which bad debt provision made individually	**229**	**8**		
Total	**2,771**	**100**		

Type	Beginning balance			
	Book balance		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Accounts receivable with significant single amount on which bad debt provision made individually	1,836	89		
Other accounts receivable with insignificant single accounts on which bad debt provision made individually	225	11		
Total	2,061	100		

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

(3) ACCOUNTS RECEIVABLE *(Continued)*

(b) The aging analysis of accounts receivable

Aging	Ending balance Amount	Ending balance Percentage (%)	Beginning balance Amount	Beginning balance Percentage (%)
Within 1 year	**2,763**	**100**	2,054	100
1 to 2 years	**1**		3	
2 to 3 years	**3**		1	
Over 3 years	**4**		3	
Total	**2,771**	**100**	2,061	100

Note: Accounts receivable increased by 34%, due to the growth of settle funds resulted in export sales, delivery and credit sales.

(c) Bad debt provision accrued at the end of the year:

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.

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

(3) ACCOUNTS RECEIVABLE *(Continued)*

(d) 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 year is disclosed as follows:

Debtor	Ending balance Balance	Ending balance Bad debt provision	Beginning balance Balance	Beginning balance Bad debt provision
Angang holding	1			
Total	1			

(e) As at 30 Jun. 2011, the total amounts of accounts receivable due from the Group's top five debtors is disclosed as follows:

Debtors	Relationship	Amounts	Duration	Percentage (%)
Angang Holding International Trade Corporation ("Angang Trade")	Fellow subsidiary	1,815	Within 3 months	66
FAW Purchasing Center	Third party	260	Within 3 months	9
Daqing Oil Field Material Corporation	Third party	137	Within 1 year	5
China Petrochemical International Enterprise Co., LTD.	Third party	121	Within 2 months	4
Angang ThyssenKrupp steel delivery Co., LTD. ("Angang Changchun")	Jointly controlled enterprise	116	Within 3 months	4
Total		2,449		88

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

(3) ACCOUNTS RECEIVABLE *(Continued)*

(e) **The related parties transactions disclosed see Note: 9 (6).**

(4) DIVIDENDS RECEIVABLE

Items	Beginning balance	Increase of the period	Decrease of the period	Ending balance	Reasons for unreceived	Whether impaired
Dividends receivable aging within 1 year						
Of which: Heilongjiang Longmay Mining Group Co., Ltd. ("Longmay Group")		2		2		
TKAS (Changchun) Tailored Blanks Ltd ("TKAS")		16		16		
Total		18		18	Note	No

Note: The dividends receivable was the dividends or profit that the investee had announced but not distributed as at 30 Jun. 2011.

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

(5) OTHER RECEIVABLES

(a) Classified by account nature

Type	Ending balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other accounts receivable with insignificant single accounts on which bad debt provision made individually	**19**	**100**		
Total	**19**	**100**		

Type	Beginning balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other accounts receivable with insignificant single accounts on which bad debt provision made individually	15	100		
Total	15	100		

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

(5) OTHER RECEIVABLES *(Continued)*

(b) The aging analysis of other receivables

Aging	Ending balance Amount	Ending balance Percentage (%)	Beginning balance Amount	Beginning balance Percentage (%)
Within 1 year	**5**	**26**	13	87
1 to 2 years	**12**	**63**	2	13
2 to 3 years	**2**	**11**		
Total	**19**	**100**	15	100

(c) Bad debt provision accrued at the end of the year:

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

(d) The company do not has the total amounts of accounts other receivable due from shareholders with more than 5% (including 5%) voting shares of the Group at the end of the year.

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

(6) PREPAYMENTS

(a) The aging analysis of prepayments

	Ending balance		Beginning balance	
Aging	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Within 1 year	**7,668**	**93**	7,988	95
1 to 2 years	**238**	**3**	144	2
2 to 3 years	**236**	**3**	235	3
Over 3 years	**84**	**1**	13	
Total	**8,226**	**100**	8,380	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 *(Continued)*

(b) At 30 Jun. 2011, top five debtors were as follows:

Debtors	Relationship	Amounts	Aging	Reason for unsettlement
Angang Trade	Fellow subsidiary	6,190	Within 3 years	undue
MCC Coking And Refractory Engineering Consulting Co.	Third party	426	Within 1 year	undue
Angang Holding Chaoyang Anling Steel Co., Ltd.	Fellow subsidiary	250	Within 1 year	undue
China First Heavy Industries (Group) Co., Ltd.	Third party	222	Within 4 years	undue
Tianjin Tiantie Metallurgy Trade Group Co., Ltd.	Third party	219	Within 1 year	undue
Total		7,307		

(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	4,029	142	3,887
Work in progress	4,140	134	4,006
Finished goods	2,746	91	2,655
Consumables	1,448		1,448
Spare parts	2,358		2,358
Materials in transit	1		1
Outsourcing material	5		5
Total	14,727	367	14,360

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

(7) INVENTORIES *(Continued)*

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

	Beginning balance		
Items	Book value	Provision for diminution of inventory value	Carrying value
Raw materials	4,206	378	3,828
Work in progress	3,645	114	3,531
Finished goods	2,004	73	1,931
Consumables	1,382		1,382
Spare parts	2,457		2,457
Materials in transit			
Outsourcing material	5		5
Total	13,699	565	13,134

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

(7) INVENTORIES *(Continued)*

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

Items	Beginning balance	Provision withdrawn for the year	Decrease of the year Written back	Decrease of the year Written off	Ending balance
Raw materials	378	182		418	142
Work in progress	114	247		227	134
Finished goods	73	152		134	91
Total	565	581		779	367

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

(i) The market price of steel products dropped this year which resulted in 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 year.

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

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

(8) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Items	Ending balance	Beginning balance
Available-for-sale equity instrument	**169**	179
Total	**169**	179

(9) LONG-TERM EQUITY INVESTMENT

(a) Analysis of long-term equity investments by types

Type	Beginning balance	Increase of the year	Decrease of the year	Ending balance
Investment in jointly controlled enterprises	1,243	187	1	1,429
Investment in associates	488	55	15	528
Other equity investments	255	94		349
Less: Provision for impairment of long-term equity investment				
Total	1,986	336	16	2,306

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

(9) LONG-TERM EQUITY INVESTMENT *(Continued)*

(b) Details for long-term equity investments

Name of investee	Accounting method	Initial investment cost	Beginning balance	Variation of the year
ANSC-TKS Galvanizing Co., Ltd ("ANSC-TKS")	Equity method	533	924	166
ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Group Limited ("ANSC-Dachuan")	Equity method	190	209	7
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	Equity method	45	67	8
ANSC-TKS Changchun Steel Logistics Co., Ltd. ("TKAS-SSC")	Equity method	48	43	5
TKAS Angang Shenyang Steel Product Processing and Distribution Group Limited ("Angang Shenyang")	Equity method	26	13	13
(Changchun) Tailored Blanks Ltd ("TKAS")	Equity method	37	55	(5)
Angang entity group packing belt Co., Ltd. ("Entity Packing")	Equity method	11	7	(1)
Angang Finance Corporation	Equity method	315	408	33
Tianjin Tantie Binhai Metallurgical Industry Co., Ltd. ("Binhai Industry")	Equity method	2	5	
WISDRI Engineering and Research Incorporation Limited ("WISDRI")	Cost method	35	35	
Heilongjiang Longmay Mining Group Co., Ltd. ("Longmay Group")	Cost method	220	220	
Anshan Falan Package Material Co., Ltd. (Falan Package)	Cost method	21		21
Dalian Shipbuilding Industry Group Shipping Process Co., Ltd. (Dlian Shipbuilding)	Cost method	63		63
China Shipbuilding Industry Material Trade Group Bayuquan Co., Ltd. (China Shipbuilding Industry)	Cost method	10		10
Total			1,986	320

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

(9) LONG-TERM EQUITY INVESTMENT *(Continued)*

(b) Details for long-term equity investments *(Continued)*

Name Of investee	Ending balance	The proportion of Shareholding *(%)*	The proportion of voting-rights *(%)*
ANSC-TKS	1,090	50	50
ANSC-Dachuan	216	50	50
Changchun FAM	75	50	50
TKAS-SSC	48	50	50
Angang Shenyang	26	30	30
TKAS	50	45	45
Entity Packing	6	30	30
Angang Finance	441	20	20
Binhai Industry	5	30	30
WISDRI	35	7	7
Longmay Group	220	1	1
Falan Package	21	15	15
Dlian Shipbuilding	63	15	15
China Shipbuilding Industry	10	10	10
Total	2,306		

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

(9) LONG-TERM EQUITY INVESTMENT *(Continued)*

(c) INVESTMENT IN JOINTLY CONTROLLED ENTERPRISES AND ASSOCIATES

(i) Particulars of jointly controlled enterprises of the Group.

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

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

(9) LONG-TERM EQUITY INVESTMENT *(Continued)*

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

(i) Particulars of jointly controlled enterprises of the Group. *(Continued)*

Name of investee	Total assets at the end of the year	Total liabilities at the end of the year	Total net assets at the end of the year	Total revenue in the this year	Net profit in the this year
ANSC-TKS	3,037	823	2,214	2,656	335
ANSC-Dachuan	1,729	1,296	433	1,193	15
Changchun FAM	362	212	150	340	15
TKAS-SSC	479	371	108	597	12

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

(9) LONG-TERM EQUITY INVESTMENT *(Continued)*

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

(ii) Particulars of associates of the Group

Name of investee	Type	Registration Place	Legal representative	Nature of business	Registered capital	The proportion of shareholding (%)	The proportion of voting-rights (%)
Angang Shenyang	Limited Liability Group	Shenyang	Zhao Guangjie	Tailored blanks processing	RMB86.50 million	30	30
TKAS	Sino-Foreign Joint Venture	Changchun	Nag Manfred	Steel processing and logistic	USD10 million	45	45
Entity Packing	Limited Liability Group	Anshan	Mao Guangyu	Packaging steel belt and steel processing	RMB35.73 million	30	30
Angang Finance Corporation	Limited Liability Group	Anshan	Yu Wanyuan	Deposit finance	RMB1000 million	20	20
Binhai Industry	Limited Liability Group	Tianjin	Jia Deqi	Service	RMB5 million	30	30

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

(9) LONG-TERM EQUITY INVESTMENT *(Continued)*

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

(ii) Particulars of associates of the Group *(Continued)*

Name of investee	Total assets at the end of the year	Total liabilities at the end of the year	Total net assets at the end of the year	Total revenue in the this year	Net profit in the this year
Angang Shenyang	210	121	89	363	1
TKAS	205	95	110	347	23
Entity Packing	30	10	20	18	(2)
Angang Finance	21,305	19,096	2,209	259	165
Binhai Industry	24	7	17	15	

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

(10) FIXED ASSETS

(a) Analysis of fixed assets

Items	Beginning balance	Increase of the year	Decrease of the year	Ending Balance
Cost	87,747	701	104	88,344
Of which: Buildings and Plants	24,650	83	6	24,727
Machineries and equipment	58,798	535	77	59,256
Others	4,299	83	21	4,361
Accumulated depreciation	30,360	3,687	59	33,988
Of which: Buildings and Plants	5,456	680	3	6,133
Machineries and Equipment	22,865	2,780	44	25,601
Others	2,039	227	12	2,254
Net book value	57,387			54,356

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

(10) FIXED ASSETS *(Continued)*

(a) Analysis of fixed assets *(Continued)*

Items	Beginning balance	Increase of the year	Decrease of the year	Ending Balance
Of which: Buildings and Plants	19,194			18,594
Machineries and equipment	35,933			33,655
Others	2,260			2,107
Provision for impairment	120		16	104
Of which: Buildings and Plants	14			14
Machineries and equipment	103		16	87
Others	3			3
Book value	57,267			54,252
Of which: Buildings and Plants	19,180			18,580
Machineries and equipment	35,830			33,568
Others	2,257			2,104

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

(10) FIXED ASSETS *(Continued)*

(a) Analysis of fixed assets *(Continued)*

Note: i. *The depreciation of this year was 3,687 million.*

ii. *During this year, the cost that the construction in progress transferred into fixed assets was 714 million.*

iii. *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.*

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

(10) FIXED ASSETS *(Continued)*

(b) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Book value	Notes
Buildings and Plants	20	8		12	Renovation
Machineries and Equipment	242	138	24	80	Renovation
Others	20	16	3	1	Renovation
Total	282	162	27	93	

(c) The group had no financial leased fixed asset from others at 30 Jun. 2011.

(d) Operating leased fixed asset to others

Items	Ending book value	Beginning book value
Buildings and Plants	**33**	34
Machineries and Equipment	**5**	5
Total	**38**	39

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

(11) CONSTRUCTION IN PROGRESS

(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
Tiantie project	**1,577**		**1,577**	1,424		1,424
Bayuquan project	**1,529**		**1,529**	1,466		1,466
Putian cold project	**1,624**		**1,624**	294		294
High capability cold rolling silicon steel production line	**62**		**62**	43		43
Chemical plant renovation	**15**		**15**	4		4
New 4#,5# and 7# furnace	**738**		**738**	185		185
3# casting machine	**706**		**706**	611		611
Seamless 177 petroleum pipeline	**230**		**230**	224		224
Wire production line renovation	**16**		**16**	1		1
Oxygen producer	**105**		**105**	89		89
Central power station	**13**		**13**	3		3
Continuous rolling line of western district	**11**		**11**	11		11
Others	**1,383**		**1,383**	922		922
Total	**8,009**		**8,009**	5,277		5,277

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

(11) CONSTRUCTION IN PROGRESS *(Continued)*

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

Note: *i.* *Construction in progress this year increased by 52% comparing with last year,was mainly because of the increase of technic transformation project and Putian cold project*

ii. *Part of the Tiantie project construction in progress was mortgaged by the Group as guarantee to repay bank loans. Disclosed in Note 7 (17).*

(b) Change in main project of construction in progress

Items	Budget	Beginning balance	Increase of the year	Transferred into fixed assets	Other decrease	Ending balance
Tiantie project	6,299	1,424	153			1,577
Bayuquan project	10,850	1,466	504	441		1,529
Putian cold project	3,500	294	1,330			1,624
High capability cold rolling silicon steel production line	3,400	43	19			62
Chemical plant renovation	385	4	11			15
New 4#,5# and 7# furnace	1,577	185	553			738
3# casting machine	940	611	95			706
Seamless 177 petroleum pipeline	817	224	6			230
Wire production line renovation	755	1	15			16
Oxygen producer	571	89	16			105
Central power station	350	3	10			13
Continuous rolling line of western district	273	11				11
Others		922	734	273		1,383
Total		5,277	3,446	714		8,009

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

(11) CONSTRUCTION IN PROGRESS *(Continued)*

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

(Continued)

Items	Accumulated capitalized borrowing cost	Of which: capitalized this year	Capitalization rate (%)	Expenditure of budget (%)	Project progress (%)	Resource of capital
Tiantie project	189	38	5.85	80	80	Self-financing,
Bayuquan project	341	43	5.28	60	60	Self-financing, Special borrowings, Issued stock
Putian cold project	65	32	5.07	61	61	Self-financing, Borrowings
High capability cold rolling silicon steel production line	321		5.02	97	97	Self-financing,
Chemical plant renovation	21		5.02	100	100	Self-financing
New 4#,5# and 7# furnace	36	18	5.02	45	45	Self-financing
3# casting machine	42	17	5.02	71	71	Self-financing
Seamless 177 petroleum pipeline	40	5	5.02	95	95	Self-financing
Wire production line renovation	34		5.02	92	92	Self-financing
Oxygen producer	45	1	5.02	89	89	Self-financing
Central power station	21		5.02	88	88	Self-financing
Continuous rolling line of western district	11		5.02	87	87	Self-financing
Others	247	30				Self-financing, Borrowings
Total	1,413	184				

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

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

(11) CONSTRUCTION IN PROGRESS *(Continued)*

(c) As at 30 Jun, 2011, no book value of construction in progress was higher than its realizable value.

(12) CONSTRUCTION MATERIAL

Project	Beginning balance	Increase of the year	Decrease of the year	Ending balance
Special materials	2	4	5	1
Special equipment	1,045	705	1,533	217
Total	1,047	709	1,538	218

Note: The ending balance of construction material was decreased by 79% comparing with the beginning balance due to the reduction of project recipients.

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

(13) INTANGIBLE ASSETS

Items	Beginning balance	Increased of the year	Decreased of the year	Ending balance
Total cost	7,752	11		7,763
Land use rights	7,692	11		7,703
software	28			28
Non-patented technology	32			32
Accumulative amortization	785	84		869
Land use rights	749	78		827
software	12	4		16
Industrial technology	24	2		26
Total net book value	6,967			6,894
Land use rights	6,943			6,876
software	16			12
Non-patented technology	8			6
Total provision for impairment				
Land use rights				
software				
Non-patented technology				
Total book value	6,967			6,894
Land use rights	6,943			6,876
software	16			12
Non-patented technology	8			6

Note: The amortization amount was 85 million this year

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

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

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

(i) Recognized deferred income tax assets

Items	Ending balance: Deferred income tax assets	Ending balance: Temporary difference or deductible loss	Beginning balance: Deferred income tax assets	Beginning balance: Temporary difference or deductible loss
Provision for diminution in value of inventories	**99**	**397**	141	565
Provision for impairment against fixed assets	**30**	**120**	30	120
Accumulated depreciation of fixed asset	**5**	**18**	5	18
Adjustment for unrealized inter-Group profit	**6**	**25**	20	81
Salaries payable	**57**	**229**	42	169
Termination benefits	**13**	**51**	16	65
Employee training expenses	**14**	**55**	14	55
Deductible losses	**1,124**	**4,496**	1,125	4,501
Government grant	**134**	**536**	36	143
Safety production expense	**18**	**70**	18	70
Total	**1,500**	**5,997**	1,447	5,787

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

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

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

(ii) Recognized deferred income tax liabilities

Items	Ending balance Deferred income tax liabilities	Ending balance Taxable temporary differences	Beginning balance Deferred income tax liabilities	Beginning balance Taxable temporary differences
Fair value variation on available-for-sale financial asset	**23**	**89**	25	99
Capitalized borrowing cost of general purpose loan	**34**	**135**	34	135
Adjustment for unrealized inter-Group profit	**2**	**8**	2	8
Total	**59**	**232**	61	242

(b) As at 30 Jun. 2011, there was no temporary difference or deductible loss in connection with which the deferred income tax assets was not recognized.

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

(15) PROVISIONS FOR IMPAIRMENT

Items	Beginning balance	Provision for this year	Decrease Written back	Decrease Written off	Ending balance
Provision for diminution in value of inventories	565	581		779	367
Provision for impairment against fixed assets	120			16	104
Total	685	581		795	471

(16) ASSETS OF THE PROPRIETARY OR THE RIGHT TO USE WAS LIMITED

Disclosed in Note 7(11) and (17).

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

(17) SHORT-TERM LOANS

Items	Ending balance	Beginning balance
Mortgage *(Note i)*	**200**	200
Guaranteed loans *(Note ii)*	**1,995**	1,895
Pledge *(Note iii)*	**100**	
Credit loan	**5,300**	8,300
Total	**7,595**	10,395

Note:

i. The mortgage of RMB 200 at the end of this year is loaned by Tianjin Tiantie from Tianjin Binhai Rural Commercial Bank, and Part of the Tiantie project' construction in progress was mortgaged as collateral, the book balance of which is 717 million and the mortgage term is from 31 Oct. 2010 to 30 Oct. 2011.

ii. The guaranteed loans were used in Tiantie project, and provided guarantee by Tiantie Group.

iii. The pledge of RMB 100 million at 30 Jun. 2011 is loaned by the corporation from Huaxia Bank,and part of bills receivable was pledged. The book balance of it is 107 million and the pledge term is from Apr. 2011 to Oct. 2011. See note 7(11)ii.

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

(18) BILLS PAYABLE

Classification of bills	Ending balance	Beginning balance
Bank acceptance bills	**6,535**	4,879
Total	**6,535**	4,879

Note:

i. *The amount that would be due within the next accounting year was 6,535 million.*

ii. *The bills payable this year increased by 34% comparing with last year, was mainly because of the increase of bills payable for purchasing fuel.*

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

(19) ACCOUNTS PAYABLE

(a) Accounts payable classified according to natures

Items	Ending balance	Beginning balance
Accounts payable for purchasing	**4,001**	4,372
Construction cost	**98**	210
Operation expenses on supporting production	**54**	54
Freight	**48**	29
Others	**16**	18
Total	**4,217**	4,683

(b) About the related party transaction and other related parties disclosed of shareholders with more than 5% (including 5%) of the voting shares of the Group, see Note:9 (6).

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

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

(20) ADVANCES FROM CUSTOMERS

(a) Advances from customers classified according to natures

Items	Ending balance	Beginning balance
Sales of products	**5,196**	6,157
Total	**5,196**	6,157

(b) About the related party transaction and other related parties disclosed of shareholders with more than 5% (including 5%) of the voting shares of the Group, see Note:9 (6).

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

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

(21) EMPLOYEE BENEFITS PAYABLE

Items	Beginning balance	Accrued during this year	Paid during this period	Ending Balance
1. Salaries, bonus and allowance	236	775	743	268
2. Staff welfare		115	115	
3. Social insurance		287	287	
Including: Medical insurance		67	67	
Basic Pension Insurance		157	157	
Annuity payment		32	32	
Unemployment insurance		16	16	
Staff and worker' injury insurance		11	11	
Supplementary death insurance		4	4	
4. Housing fund		99	99	
5. Labor union fee and staff training fee	58	27	19	66
6. Termination benefits	28	49	63	14
7. Others		30	30	
Total	322	1,382	1,356	348

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

(22) TAX AND SURCHARGES PAYABLE

Items	Ending balance	Beginning balance
VAT	**(1,733)**	(1,850)
Enterprise income tax	**(30)**	(24)
Individual income tax	**25**	7
City maintenance and construction tax	**17**	21
Education surcharges	**7**	9
Local education surcharges	**5**	3
Property tax	**8**	8
Land use tax	**1**	
Stamp tax	**3**	6
Taxes to be deducted	**(9)**	(16)
Total	**(1,706)**	(1,836)

(23) INTEREST PAYABLE

Items	Ending balance	Beginning balance
Interest on short-term financing bonds	**103**	79
Total	**103**	79

Note: The interest payable was from the interest on 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	**916**	1,074
Guarantee -project/spare parts	**766**	863
The Energy-saving and Emission-reducing funds transferred by Angang holding	**278**	278
Performance guarantee	**184**	209
Freight charges	**88**	114
Deposit for steel shelves	**47**	66
Withholding tax payable	**1**	1
Others	**81**	132
total	**2,361**	2,737

(b) **About the related party transaction and other related parties disclosed of shareholders with more than 5% (including 5%) of the voting shares of the Group, see 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
Angang Construction Group	117	Project quality margin	No
Three of China Metallurgical Group Co., Ltd.	64	Project quality margin	No
Northeast Geotechnical Investigation Co., Ltd	35	Project quality margin	No
Angang Entity Group Co., Ltd	23	Project quality margin	No
Angang Holding Engineering Consulting Co. Ltd	21		No
MCC Coking And Refractory Engineering Consulting Co. Ltd	21		No
Others	108	Project quality margin	No
Total	389		

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 *(Note.(27))*	**5,201**	5,961
Total	**5,201**	5,961

(b) Long-loans liability due within 1 year

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

Items	Ending balance	Beginning balance
Guaranteed loans *(Note.(26))*	**1,720**	1,420
Credit loans	**3,481**	4,541
Total	**5,201**	5,961

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

(25) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR

(b) Long-loans liability due within 1 year

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

Loaner	Commence date	Expiry date	Interest rate (%)	Ending balance	Beginning balance
Bank of China Anshan Branch	Sep 2008	Sep 2011	4.86	700	700
Bank of China Anshan Branch	Jul 2008	Jul 2011	4.86	600	600
Industrial and Commercial Bank of China Anshan Branch	Jul 2008	Jul 2011	4.86	500	500
Agricultural Bank of China Anshan Lishan Branch	May 2009	May 2012	4.86	400	400
Bank of China Anshan Branch	Dec 2008	Dec 2011	5.27	300	300
Total				2,500	2,500

(iii) There were no overdue loans in long-term loans due within 1 year.

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

(26) OTHER CURRENT LIABILITIES

Item	Content	Ending balance	Beginning balance
Deferred income	Government grants corresponding to asset	**17**	23
Short-term financing bonds		**6,000**	3,000
Total		**6,017**	3,023

Note: *The ending balance of other current liabilities was increased comparing with the beginning balance due to the short-term financing bonds issued by the group.*

(27) LONG-TERM LOANS

(a) Classification of Long-term loans

Items	Ending balance	Beginning balance
Guaranteed loans	**3,870**	4,080
Credit loans	**14,977**	14,598
Minus: long-term loans that would due within 1 year *(Note: 7(25)*	**5,201**	5,961
Total	**13,646**	12,717

Note: *Guaranteed loans were used in renovating equipment, Putian cold project and Tiantie project. The Tiantie group and Angang Holding provided guarantee.*

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

(27) LONG-TERM LOANS *(Continued)*

(b) Top five long-term loans

Loaner	Commence date	Expiry date	Interest rate (%)	Ending balance	Beginning balance
Bank of China Anshan Branch	Jul 2008	Dec 2012	5.18	**700**	700
Bank of China Anshan Branch	Jul 2008	Jul 2013	5.18	**700**	700
Angang Finance	Apr 2010	Apr 2013	4.86	**700**	700
Angang Finance	Jun 2011	Jun 2014	5.76	**500**	
Agricultural Bank of China Anshan Lishan Branch	May 2011	May 2014	5.76	**500**	
Total				**3,100**	2,100

(28) OTHER NON-CURRENT LIABILITIES

Items	Content	Ending balance	Beginning balance
Deferred income	Government grants corresponding to asset	**684**	554
Termination benefits	Employee benefits payable aged over 1 year	**37**	37
Total		**721**	591

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

(29) SHARE CAPITAL

Items	Beginning balance Amount	Beginning balance Proportion	Variation of the year (+,-) Issued new shares	Variation of the year (+,-) Bonus shares	Variation of the year (+,-) Shares transferred from accumulated fund	Variation of the year (+,-) Others	Variation of the year (+,-) Subtotal	Ending balance Amount	Ending balance Proportion
(1) Ordinary A shares with restrictions on sale									
State-owned shares	4,341	60				(4,341)	(4,341)		
(2) Shares with non-restriction on sale									
a. Ordinary A shares	1,808	25				4,341	4,341	6,149	85
b. Foreign shares listed overseas ("H shares")	1,086	15						1,086	15
Total	7,235	100						7,235	100

Note: *Since Jan 7, 2011, the outstanding shares of restricted stock held by the company's controlling shareholder-Angang Holding can be traded. The amount of the outstanding shares which make up 60% of the total equity ratio was 4,340,884,709. Since this lifting of restrictions on sale, all of the shares held by Angang Holding were the outstanding shares of non-restricted stock.*

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

(30) CAPITAL RESERVE

Items	Beginning balance	Increase of the year	Decease of the year	Ending balance
Share premium	31,439			**31,439**
Other capital reserve	82		8	**74**
Including: Fair value variation on available-for-sale financial asset	84		8	**76**
Other changes in shareholders' equity of the invested entity	(2)			**(2)**
Total	31,521		8	**31,513**

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

(31) SPECIAL RESERVE

Items	Beginning balance	Increase of the year	Decease of the year	Ending balance
Safe production expenses	70	18	2	**86**
Total	70	18	2	**86**

Note: *The increase of special reserve was safe production expenses accrued this year.*

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

(32) SURPLUS RESERVE

Items	Beginning balance	Increase of the year	Decease of the year	Ending balance
Statutory surplus reserve	3,570			**3,570**
total	3,570			**3,570**

(33) UNDISTRIBUTED PROFIT

(a) Changes of undistributed profit

Items	This year	Appropriation or distribution proportion
Undistributed profit at the end of last year before adjustment	11,672	
Adjustment for undistributed profit at the beginning of year		
Undistributed profit at the end of last year after adjustment	11,672	
Add: Net profit attributable to owners of parent company during this year	220	
Recovery of losses from surplus reserve		
Other transferred-in		
Less: Appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Dividend to shareholder	1,085	
Dividend of ordinary shares transferred to share capital		
Undistributed profit at the end of year	10,807	

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 2010 reviewed and approved of the profit distribution plan for 2010 on 31 May 2011, based on the total share capital 7,234,807,847 shares as at 31 Dec. 2010. The Company declared cash dividend of RMB 0.15 per share to the ordinary shareholders, and distributed 1,085 million to ordinary shareholders.

(34) OPERATING INCOME AND OPERATING COSTS

(a) Operating income and operating costs

Items	**This year**	Last year
Operating income from main operation	**46,224**	43,937
Other operating income	**110**	103
Total	**46,334**	44,040
Operating costs for main operation	**42,620**	37,059
Other operating costs	**103**	123
Total	**42,723**	37,182

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

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

(b) Main operation classified according to industry

	This year		Last year	
Name of industry	**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	**46,224**	**42,620**	43,937	37,059
Total	**46,224**	**42,620**	43,937	37,059

(c) Main operation classified according to products

	This year		Last year	
Name of products	**Operating income from main operation**	**Operating costs for main operation**	Operating income from main operation	Operating costs for main operation
Hot rolled products	**13,552**	**12,568**	12,080	10,342
Cold rolled products	**19,111**	**16,700**	19,001	14,413
Medium -thick plate	**7,658**	**7,378**	7,609	7,353
Others	**5,903**	**5,974**	5,247	4,951
Total	**46,224**	**42,620**	43,937	37,059

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

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

(d) Operating income according to regions

Regions	This year Operating income from operation	This year Operating costs for operation	Last year Operating income from operation	Last year Operating costs for operation
China	**42,013**	**38,849**	40,492	34,142
Overseas	**4,321**	**3,874**	3,548	3,040
Total	**46,334**	**42,723**	44,040	37,182

(e) Top five buyers

Period	Sum of top five buyers	Proportion *(%)*
This year	10,957	24
Last year	10,789	25

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

(35) BUSINESS TAX AND SURCHARGES

Items	**This year**	Last year
Resources tax and Business Tax	**2**	1
City maintenance and construction tax	**36**	83
Education surcharge and local education surcharge	**25**	44
Custom duty	**5**	4
Total	**68**	132

Note:

i. *Business tax and surcharges paid complying with Note.*

ii. *Business tax and surcharges were decreased by 48% comparing with last year due to decrease of VAT resulted to the decrease of city maintenance and construction tax and education and local education surcharges.*

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

(36) SELLING EXPENSES

Items	This year	Last year
Packing expense	306	348
Delivery expense	293	226
Sales and service expense	56	51
Agency fee for commissioned sales	19	37
Employee benefits fees	18	17
Insurance expense	5	5
Warehouse storage expense	3	2
Others	53	81
Total	753	767

(37) ADMINISTRATIVE EXPENSES

Items	This year	Last year
Repairs and maintenance	821	830
Employee benefits fees	197	235
Tax	176	165
Amortization of intangible assets	85	81
Depreciation	48	54
Sewage fee	26	37
Security and firefighting expenses	25	35
Warehouse expenditure	23	30
Insurance	23	17
Safe production expenses	18	19
Others	131	174
Total	1,573	1,677

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

(38) FINANCIAL EXPENSES

Items	This year	Last year
Interest expenses	**973**	866
Minus: Interest income	**15**	13
Minus: Capitalization of interest	**184**	270
Exchange gain and loss	**6**	(36)
Minus: Capitalization of exchange gain and loss		
Others	**37**	22
Total	**817**	569

Note: The financial expenses this year increased by 44% comparing with last year, was mainly due to the decrease of capitalization of interest caused by decrease of project expenses and the increase of the interest resulted from the discounting of bills receivable.

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

(39) INVESTMENT INCOME

(a) Statement on investment

Items	This year	Last year
Long-term equity investment income measured by employing cost method	**2**	
Long-term equity investment income measured by employing equity method	**229**	253
Investment income from keeping available-for-sale financial assets		1
Total	**231**	254

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

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

Investee	This year	Last year
Longmay Group	**2**	
Total	**2**	

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

(39) INVESTMENT INCOME

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

Investee	This year	Last year	Reason of change
ANSC-TKS	**165**	190	
Angang Finance	**33**	38	
TKAS	**11**	6	
Changchun FAM	**8**	10	
TKAS-SSC	**6**	5	
ANSC-Dachuan	**7**	4	
Entity Packing	**(1)**	(1)	
Binhai Industry		1	
Total	**229**	253	Note

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

(40) IMPAIRMENT LOSSES

Items	This year	Last year
Provision for diminution in value of inventories	**581**	383
Provision for impairment of fixed assets		2
Total	**581**	385

Note: The impairment losses increased by 51% were due to the provision for scale-up in value of inventories accrued more than Last year.

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

(41) NON-OPERATING INCOME

(a) Particulars about non-operating income

Items	This year	Last year	The amount recorded into extraordinary gains and losses
Total gains from disposal of non-current assets	**13**	13	13
Including: Gains on fixed assets scrapped	**5**	9	5
Gains on disposal of intangible assets	**7**		7
Other gains on disposal of fixed assets	**1**	4	1
Government grant (Disclosed in the form: Details of government grants)	**92**	12	92
Others	**1**	2	1
Total	106	27	106

Note: The non-operating income increased comparing with last year mainly due to the increase of Government grant.

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

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

(a) Particulars about non-operating income *(Continued)*

Including: Details of government grants:

Items	This year	Last year
R & D subsidy	**11**	5
Military project grants	**12**	2
government supporting fund to Bayuquan		4
Speed cooling technic project		1
CDM project grant	**69**	
Total	**92**	12

(42) NON-OPERATING EXPENSES

Items	This year	Last year	The amount recorded into extraordinary gains and losses
Total loss on disposal of non-current assets	**22**	18	22
Including: Loss on fixed assets scrapped	**21**	18	21
Other loss on disposal of fixed assets	**1**		1
Others	**1**		1
Total	**23**	18	23

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

(43) INCOME TAX EXPENSES

Items	**This year**	Last year
Income tax calculated according to the Law of Tax and relevant regulations	**42**	724
Adjustments on deferred income tax	**(53)**	108
Total	**(11)**	832

Note: The income tax expenses increased by 160% due to the profit before income tax more than last year.

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

(44) BASIC EPS AND DILUTED EPS

For an enterprise, the basic earnings per share shall be calculated by dividing the current net profits belonging to the shareholders of ordinary shares by the weighted average number of ordinary shares issued to the public. In accordance with the specific terms and clauses of the issuance contract, the number of newly issued ordinary shares shall be calculated and decided as of the date of receivable consideration (generally the date of issuance of stocks).

For an enterprise, the diluted earnings per share shall be calculated by dividing the current net profits belonging to the shareholders of ordinary shares by the weighted average number of ordinary shares issued to the public. When calculating the diluted earnings per share, an enterprise shall modulate the current net profits belonging to the shareholders of ordinary shares in accordance with the items as follows:

(i) The interests of the diluted potential ordinary shares determined to be expenses in the current period;

(ii) The gains or expenses resulted from the conversion of the diluted potential ordinary shares.

(iii) The effects of the income tax on the aforesaid modulation shall be taken into consideration.

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

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

The weighted average number of the ordinary shares issued to the public in the current period shall be the sum of the weighted average number of ordinary shares in calculating the basic earnings per share and the weighted average number of increased ordinary shares on supposing that the diluted potential ordinary shares convert into ordinary shares already issued.

When calculating the weighted average number of increased ordinary shares resulted from that the diluted potential ordinary shares convert into ordinary shares already issued, the diluted potential ordinary shares issued in periods shall be supposed to be converted at the beginning of the current period. The diluted potential ordinary shares issued in the current period shall be supposed to be converted on the date of issuance.

(a) Basic EPS and diluted EPS

Profits of the reporting year	**This year**		Last year	
	Basic EPS	**Diluted EPS**	Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	**0.030**	**0.030**	0.380	0.380
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	**0.022**	**0.022**	0.379	0.379

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

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

(b) Calculation of basic EPS and diluted EPS

(i) Calculation of the current net profits belonging to the shareholders of ordinary shares when calculating the basic earnings per share:

Items	This year	Last year
Net profit attributable to ordinary shareholders	**220**	2,750
Including: Net profit attributable to continuing operations	**220**	2,750
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	**158**	2,743
Including: Net profit attributable to continuing operations	**158**	2,743

(ii) Calculation of the weighted average number of ordinary shares issued to the public when calculating the basic earnings per share:

Items	This year	Last year
The number of ordinary shares issued to the public in the beginning of the year	**7,235**	7,235
Plus: the weighted average number of ordinary shares issued this year		
Minus: the weighted average number of ordinary shares repurchase this year		
The number of ordinary shares issued to the public in the end of the year	**7,235**	7,235

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

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

(b) Calculation of basic EPS and diluted EPS *(Continued)*

(iii) As the Company does not have diluted potential ordinary shares, Basic EPS the diluted EPS equals the basic EPS.

(45) OTHER COMPREHENSIVE INCOME

Items	This year	Last year
1. Gain from the available-for-sale financial assets	**(10)**	(68)
Minus: Income tax impact resulted from the available-for-sale financial assets	**(2)**	(17)
Subtotal	**(8)**	(51)

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

(46) THE CASH FLOW STATEMENT

(a) Cash received relating to other operating activities

Items	**This year**	Last year
Government grants	**218**	96
Others	**2**	4
Total	**220**	100

(b) Cash paid relating to other operating activities

Items	**This year**	Last year
Freight fee payments for others	**286**	217
Agency fee for commissioned sales	**60**	47
Security and firefighting expenses	**26**	6
Sewage fee	**26**	8
Insurance for property	**22**	16
General marketing fee	**21**	21
Others	**149**	127
Total	**590**	442

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

(46) THE CASH FLOW STATEMENT *(Continued)*

(c) Cash received relating to other investing activities

Items	**This year**	Last year
interest revenue	**15**	13
Income from trail run	**11**	34
Total	**26**	47

(d) Cash paid relating to other financing activities

Items	**This year**	Last year
Payment to the banks of discount rate on bills payable	**74**	32
Total	**74**	32

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

(47) SUPPLEMENT TO CASH FLOW STATEMENT

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

Supplement	This year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	**144**	2,759
Add: Provision for impairment	**(214)**	215
Depreciation of fixed assets	**3,687**	3,485
Amortization of intangible assets	**85**	81
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("-" for gains)	**(7)**	(4)
Loss on scrap of fixed assets	**16**	9
Loss on the change of fair value		
Financial expenses	**781**	547
Investment loss	**(231)**	(254)
Decrease in deferred tax assets ("-" for increase)	**(53)**	108
Increase in deferred tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	**(1,003)**	(3,223)
Decrease in operating receivables ("-" for increase)	**(244)**	(2,335)
Increase in operating payables ("-" for decrease)	**484**	250
Others	**13**	35
Net cash flow from operating activities	**3,458**	1,673

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

(47) SUPPLEMENT TO CASH FLOW STATEMENT

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

Supplement	This year	Last year
2. Change in cash and cash equivalents		
Cash at the end of the year	**2,429**	1,953
Less: cash at the beginning of the year	**3,651**	2,242
Add: cash equivalents at the end of the year		
Less: cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	**(1,222)**	(289)

(b) Composition of cash and cash equivalents

Items	This year	Last year
1. Cash at bank and on hand	**2,429**	1,953
Of which: Cash	**1**	1
Bank deposits available	**2,149**	1,220
Other deposits available	**279**	732
2. Cash equivalents		
Of which: Bond due within 3 months		
3. Closing balance of cash and cash equivalents	**2,429**	1,953

8. ACCOUNTING TREATMENT OF ASSET SECURITIZATION

The Group had no operation about asset securitization this year.

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	Zhang Xiaogang	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 *(Note)*	24142001-4

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(1) INFORMATION ON THE PARENT OF THE GROUP

Note: On July 28, 2010, Angang Holding has receives a notice about the restructuring of Angang Holding and Pangang Group Company Limited ("Pangang Group") from the State-owned Assets Supervision and Administration Commission of the state Council (SASAC) which states that SASAC has agreed to the joint restructuring of Angang Holding and Pangang Group Company Limited ("Pangang Group")(the "Joint Restructuring"). The Joint Restructuring entails the establishment by SASAC (as the representative of the State Council)of a new company, Angang Group Company ("Angang NewCo"), which will wholly own Angang Holding and Pangang Group. As the parent of Angang Holding and Pangang Group, Angang NewCo' registered capital was 17,309.7 million. Angang Holding, the controlling shareholder of the Company, became a wholly owned subsidiary of Angang Group Company.

(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) Related party transactions

(i) Chase and services from Angang Holding and its subsidiaries

Contents	Pricing Policy	This year Amount	This year Percent of related transactions (%)	Last year Amount	Last year Percent of related transactions (%)
Raw materials	Note. I	**8,662**	**49**	6,463	63
Ancillary materials and spare parts	Note. ii	**760**	**14**	699	11
Energy and power supplies	Note. iii	**895**	**31**	928	32
Total		**10,317**		8,090	
Support services	Note. iv	**2,975**	**57**	2,311	66
Total		**2,975**		2,311	

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party transactions *(Continued)*

(ii) Sales, Render services to Angang Holding and its subsidiaries

Contents	Pricing Policy	This year Amount	This year Percent of related transactions (%)	Last year Amount	Last year Percent of related transactions (%)
Products	Note. v	**4,049**	**9**	4,056	9
Scrap materials and Minus sieve powder		**79**	**95**	58	79
Total		**4,128**		4,114	
General services	Note. vi	**279**	**37**	222	35
Total		**279**		222	

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party transactions *(Continued)*

(ii) Sales, Render services to Angang Holding and its subsidiaries *(Continued)*

Notes:

I. 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);

ii. The selling prices are not higher than the average prices charged to independent customers for the preceding month.

iii. Mainly at state prices, operating costs plus 5% of gross profit margin.

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party transactions *(Continued)*

(ii) Sales, Render services to Angang Holding and its subsidiaries *(Continued)*

Notes: (Continued)

iv. *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.*

v. *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.

Retired assets and idle assets are mainly at market prices or assessed prices.

vi. *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

Warrantor	Warrantee	Amount Guaranteed	Starting date	Expiring date	Whether fulfilled
Angang Holding	The Company	1,000	Aug 2008	Jun 2015	No
Angang Holding	Angang Putian	1,100	Apr 2010	Jun 2013	No
Tiantie Group	Tianjin Tiantie	3,765	Aug 2006	Jan 2014	No

(c) 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 2.58 million tons and 0.84 million tons respectively for the six months ended 30 Jun 2011 (3.06 million tons and 0.81 million tons for the six months ended 30 Jun 2010).

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS *(Continued)*

(c) Other related parties transactions *(Continued)*

(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 year**	Sales in Last year
ANSC-TKS	**1,754**	1,839
TKAS-SSC	**260**	221
Changchun FAM	**35**	48
Binhai Industry		30
TKAS		1

B. Agency service received from TKAS-SSC

The Group received agency services for domestic sales of products from TKAS-SSC amount to RMB 3 million tons for this year (last year: 3 million).

C. The Group received supporting services from Binhai Industry amount to 6 million for this year (last year: 55 million).

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(5) RELATED PARTY TRANSACTIONS *(Continued)*

(c) Other related parties transactions *(Continued)*

(iii) Loan deposit, interest paid in/to Angang Finance

Items	Annual interest rate	Opening balance	Increased	Decreased	Closing balance	Terms of credit
Loan	4.86 - 5.76	7,300	3,700	6,200	4,800	Credit
Deposit		2,607			1,432	

The Group's interest income of deposit from Angang finance was RMB 7 million (for the year 2010: RMB 5 million) and the interests for borrowing and bills discounted was RMB 138 million (for the year 2010: RMB 203 million).

(iv) Loan, interest paid in/to Angang Holding

Items	Annual interest rate	Opening balance	Increased	Decreased	Closing balance	Terms of credit
Loan	5.26 - 6.08		550		550	Credit

The loan was released and managed by Angang Finance entrusted by Angang Holding, and the interest this year was 4 million.

(v) Directors' and supervisors' remunerations

The Company paid Directors' and supervisors' remunerations at the amount of 1 million for this year (last year: 1 million).

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES

(a) Accounts receivable and prepayment with related parties

Items	Ending balance	Beginning balance
Accounts receivable		
Angang Trade	**1,815**	792
TKAS-SSC	**116**	69
Angang Heavy machine Co., Ltd	**1**	26
Angang Electric Co., Ltd	**1**	3
Angang Holding	**1**	
Other related parties		2
Total	**1,934**	892
Prepayment		
Angang Trade	**6,190**	6,245
Angang Holding Chaoyang Anling Steel Co., Ltd	**250**	
Angang Engineering Technology Co., Ltd	**99**	15
Angang Automatism Co., Ltd	**68**	59
Angang Heavy machine Co., Ltd	**34**	26
Angang Construction Group	**20**	101
Angang Mine Construction Co., Ltd	**8**	
Angang Entity Group	**1**	1
Angang Electric Co., Ltd		2
Total	**6,670**	6,449

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES *(Continued)*

(b) Accounts payable and advance from customers with related parties

Items	Ending balance	Beginning balance
Accounts payable		
Angang Trade	**207**	38
Angang Entity Group	**47**	34
Angang Auto Transport Co., Ltd	**20**	12
Angang Construction Group Co., Ltd	**10**	27
Angang House Exploit Co. Ltd	**8**	5
Angang Holding	**7**	12
Binhai Industry	**3**	10
Angang Steel rope Co., Ltd.	**3**	2
Angang Automatism Co Ltd	**2**	2
Angang Electric Co., Ltd	**2**	2
Angang Railway transport facilities Construction Co.	**2**	6
Angang Mine Construction Co., Ltd	**1**	12
Angang Heavy machine Co., Ltd	**1**	1
Angang Mining Co. Ltd	**1**	27
Other related parties	**1**	1
Total	**315**	191

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES *(Continued)*

(b) Accounts payable and advance from customers with related parties *(Continued)*

Items	**Ending balance**	Beginning balance
Advance from customers		
Angang Trade	**623**	857
ANSC-TKS	**295**	381
Angang Mining Co. Ltd	**15**	6
Angang Construction Group	**14**	28
Angang Entity Group	**13**	13
Falan Package	**9**	
Angang Steel rope Co., Ltd.	**8**	5
Changchun FAM	**4**	21
TKAS	**1**	1
Angang Holding	**1**	1
Total	**983**	1,313

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(Continued)*

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES *(Continued)*

(b) Accounts payable and advance from customers with related parties *(Continued)*

Items	**Ending balance**	Beginning balance
Other payables		
Angang Holding	**279**	281
Angang Construction Group	**159**	206
Angang Trade	**128**	181
Angang Engineering Technology Co., Ltd	**65**	41
Angang Mine Construction Co., Ltd	**37**	17
Angang Heavy machine Co., Ltd	**34**	43
Angang Entity Group	**32**	36
Angang Automatism Co	**17**	25
Angang House Exploit Co. Ltd	**13**	7
Angang Electric Co., Ltd	**10**	8
Binhai Industry	**7**	19
Angang Auto Transport Co., Ltd	**3**	9
Total	**784**	873

10. SHARE-BASED PAYMENT

As at 30 June 2011, the Group had no share-based payment.

11. CONTINGENCIES

As at 30 June 2011, there were no contingencies that need to be disclosed.

12. CAPITAL COMMITMENT

(1) SIGNIFICANT CAPITAL COMMITMENT

Terms	30 Jun. 2011	31 Dec. 2010
Investment contracts entered into but not performed or performed partially	**436**	318
Construction and renovation contracts entered into but not performed or performed partially	**2,898**	3,985
Total	**3,334**	4,303

(2) PERFORMANCE OF THE CAPITAL COMMITMENT OF LAST YEAR

As at 30 June 2011, the construction and renovation contracts signed in 2010 but not performed or performed partially had been performed with 2,272 million.

13. EVENTS AFTER THE BALANCE SHEET DATE

As at 30 June 2011, there were no events after the balance sheet date need to be disclosed.

14. OTHER SIGNIFICANT TRANSACTION

As at 30 June 2011, there were no other significant transactions need to be disclosed.

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT

(1) ACCOUNTS RECEIVABLE

Disclosed in note: 7(3)

(2) OTHER RECEIVABLES

(a) Classified by account nature

	Ending balance			
	Book balance		Bad debt Provision	
Items	Amounts	Proportion (%)	Amounts	Proportion (%)
Other accounts receivable with insignificant single accounts on witch bad debt provision made individually	17	100		
Total	17	100		

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(2) OTHER RECEIVABLES *(Continued)*

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

	Ending balance			
	Book balance		Bad debt Provision	
Items	Amounts	Proportion (%)	Amounts	Proportion (%)
Other accounts receivable with insignificant single accounts on witch bad debt provision made individually	15	100		
Total	15	100		

(b) The aging analysis of other receivables

	Ending balance		Beginning balance	
Aging	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	4	24	13	87
1 to 2 years	11	65	2	13
2 to 3 years	2	11		
Total	17	100	15	100

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(3) LONG-TERM EQUITY INVESTMENT

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

Type	Beginning balance	Increase of the year	**Decrease of the year**	**Ending balance**
Investment in subsidiaries	2,267	445		**2,712**
Investment in jointly controlled enterprises	1,243	187	1	**1,429**
Investment in associates	483	55	15	**523**
Other equity investments	255	94		**349**
Less: Provision for impairment of long-term equity investment				
Total	4,248	781	16	**5,013**

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(3) LONG-TERM EQUITY INVESTMENT *(Continued)*

(b) Details for long-term equity investments

Name of investee	Accounting method	Initial investment cost	Beginning balance	Variation of the year
Angang Wuhan	Cost method	108	60	48
Tianjin Tiantie	Cost method	1,407	1,407	
Angang PuTian	Cost method	1,100	800	300
Angang Hefei	Cost method	97		97
ANSC-TKS	Equity method	533	924	166
ANSC-Dachuan	Equity method	190	209	7
Changchun FAM	Equity method	45	67	8
TKAS-SSC	Equity method	48	43	5
Angang Shenyang	Equity method	26	13	13
TKAS	Equity method	37	55	(5)
Entity Packing	Equity method	11	7	(1)
Angang Finance	Equity method	315	408	33
WISDRI	Equity method	35	35	
Longmay Group	Cost method	220	220	
Falan Package	Cost method	21		21
Dlian Shipbuilding	Cost method	63		63
China shipbuilding Industry	Cost method	10		10
Total			4,248	765

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(3) LONG-TERM EQUITY INVESTMENT *(Continued)*

(b) Details for long-term equity investments

Name Of investee	Ending balance	The proportion of Shareholding (%)	The proportion of voting-rights (%)
Angang Wuhan	108	100	100
Tianjin Tiantie	1,407	50	50
Angang PuTian	1,100	100	100
Angang Hefei	97	100	100
ANSC-TKS	1,090	50	50
ANSC-Dachuan	216	50	50
Changchun FAM	75	50	50
TKAS-SSC	48	50	50
Angang Shenyang	26	30	30
TKAS	50	45	45
Entity Packing	6	30	30
Angang Finance	441	20	20
WISDRI	35	7	7
Longmay Group	220	1	1
Falan Package	21	15	15
Dlian Shipbuilding	63	15	15
China shipbuilding Industry	10	10	10
Total	5,013		

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 year	Last year
Operating income from main operation	**45,326**	43,209
Other operating income	**12**	19
Total	**45,338**	43,228
Operating costs for main operation	**41,643**	36,416
Other operating costs	**12**	48
Total	**41,655**	36,464

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

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

(b) Main operation classified according to industry

Industry nature	This year Operating income from main operation	This year Operating costs for main operation	Last year Operating income from main operation	Last year Operating costs for main operation
Ferrous metal smelting and steel rolling process	**45,326**	**41,643**	43,209	36,416
Total	**45,326**	**41,643**	43,209	36,416

(c) Main operation classified according to product

Product types	This year Operating income from main operation	This year Operating costs for main operation	Last year Operating income from main operation	Last year Operating costs for main operation
Hot-rolled products	**14,355**	**13,349**	13,400	11,645
Cold-rolled products	**17,410**	**14,942**	16,953	12,467
Medium-thick plates	**7,658**	**7,378**	7,609	7,353
Others	**5,903**	**5,974**	5,247	4,951
Total	**45,326**	**41,643**	43,209	36,416

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

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

(d) Operating income according to regions

	This year		Last year	
Regions	**Operating income from operation**	**Operating costs for operation**	Operating income from operation	Operating costs for operation
China	**41,017**	**37,781**	39,680	33,424
overseas	**4,321**	**3,874**	3,548	3,040
Total	**45,338**	**41,655**	43,228	36,464

(e) Top five buyers

Period	**Sum of top five buyers**	Proportion *(%)*
This year	**10,753**	24
Last year	**10,786**	25

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(5) INVESTMENT INCOME

(a) Statement on investment

Items	This year	Last year
Long-term equity investment income measured by employing cost method	**2**	
Long-term equity investment income measured by employing equity method	**229**	252
Investment income from keeping available-for-sale financial assets		1
Total	**231**	253

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

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

Investee	This year	Last year
Longmay Group	**2**	
Total	**2**	

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(5) INVESTMENT INCOME *(Continued)*

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

Investee	This year	Last year	Reason of change
ANSC-TKS	**165**	190	
Angang Finance	**33**	38	
TKAS	**11**	6	
Changchun FAM	**8**	10	
TKAS-SSC	**6**	5	
ANSC-Dachuan	**7**	4	
Entity Packing	**(1)**	(1)	
Total	**229**	252	Note

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

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

(6) SUPPLEMENT TO CASH FLOW STATEMENT

Supplement	This year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	**322**	2,760
Add: Provision for impairment	**(214)**	215
Depreciation of fixed assets	**3,528**	3,389
Amortization of intangible assets	**78**	76
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("-" for gains)	**(7)**	(4)
Loss on scrap of fixed assets	**16**	9
Loss on the change of fair value		
Financial expenses	**693**	517
Investment loss	**(231)**	(253)
Decrease in deferred tax assets ("-" for increase)	**(6)**	98
Increase in deferred tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	**(784)**	(2,716)
Decrease in operating receivables ("-" for increase)	**(588)**	(1,969)
Increase in operating payables ("-" for decrease)	**750**	(829)
Others	**15**	35
Net cash inflow from operating activities	**3,572**	1,328

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(Continued)*

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

Supplement	This year	Last year
2. Change in cash and cash equivalents		
Cash at the end of the year	**1,338**	337
Less: Cash at the beginning of the year	**2,542**	1,138
Add: Cash equivalents at the end of the year		
Less: Cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	**(1,204)**	(801)

16. SUPPLEMENTARY DOCUMENTS

(1) EXTRAORDINARY GAINS AND LOSSES

Items	Amounts	*Note*
Gains/losses from disposal of non-current assets	**7**	4
Tax refund or exemption from unauthorized approval or non-official approved document or contingency		
Government grant which recorded into profit/loss of current year except that relevant to enterprise operation and in compliance with government policies	**92**	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		

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(1) EXTRAORDINARY GAINS AND LOSSES *(Continued)*

Items	Amounts	*Note*
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 year 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		
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	**(16)**	(7)
Other extraordinary gains/ losses		
subtotal	**83**	9
Effect on taxation	**(21)**	(2)
Effect on minority interest (after tax)		
Total	**62**	7

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(1) EXTRAORDINARY GAINS AND LOSSES *(Continued)*

Note: "+" refer to gains or incomes, "-" refer to losses or expenditures

The recognizing of Company's non-recurring gains and losses comply with the disclosure requirements of "explanatory announcement of Information Disclosures of Companies Issuing Public Shares, No. 1: non-recurring gains and losses" (CSRC' announcement [2008] No.43)

(2) THE DIFFERENCE BETWEEN IFRS AND PRC GAAP

		The group				**Attributable to ordinary shareholders**			
		Net profit		**Net assets**		**Net profit**		**Net assets**	
	Note	**This year**	Last year	**Ending balance**	Beginning balance	**This year**	Last year	**Ending balance**	Beginning balance
Under PRC GAAPs		**144**	2,759	**54,412**	55,345	**220**	2,750	**53,211**	54,068
Adjustment:									
– Safety production expenses	i	**16**	17			16	17		
– Deferred income tax assets	ii			**(18)**	(18)			**(18)**	(18)
– Interests in jointly controlled entities	iii			**2**	2			**2**	2
Under IFRSs		**160**	2,776	**54,396**	55,329	**236**	2,767	**53,195**	54,052

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(2) THE DIFFERENCE BETWEEN IFRS AND PRC GAAP

Note:

i. 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.

ii. based on above-mentioned adjustments, deferred assets and income tax expense had been recognized by liability method in light of IFRSs.

iii. According to the Law of the PRC on Chinese-Foreign Equity Joint Ventures (the "Joint Ventures Law") and Regulations for the Implementation of the Joint Ventures Law, one of the Group's jointly controlled entities has transferred certain amount from the reserve to staff payable which led to the Group's share of net assets in the jointly controlled entities decreased. Under IFRSs, the reserve could not transfer to the liabilities.

(3) ROE AND EPS

		EPS (Yuan per share)	
Profit in this year	**Weighted average (ROE)**	**Basic EPS**	**Diluted EPS**
Net profit attributable to ordinary shares	0.41	0.030	0.030
Net profit (exclusive of non-operating profit) attributable to ordinary shares	0.29	0.022	0.022

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

Mj 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(43)*

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 month past 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 2011, 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 88% 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 2011 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 2011, 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 54 million (2010 RMB 74 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 2011.

(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 2011 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 significant exchange rates applied by the Group:

	Average rate		Reporting date mid-spot rate	
	2011	2010	**2011**	2010
Japanese yen		0.0776		0.0813
Euro	**9.26**	8.92	**9.36**	8.81

(iii) Sensitivity analysis

A 5% appreciation of the RMB against the Japanese yen, Euro and HK dollar at 30 June 2011 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 2011	Japanese yen		
	Euro	(1)	(1)
31 Dec 2010	Japanese yen	(3)	(3)
	Euro	(1)	(1)

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk *(Continued)*

(iii) Sensitivity analysis *(Continued)*

A 5% depreciation of the RMB against the Japanese yen, Euro at 30 June 2011 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 2011.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

16. SUPPLEMENTARY DOCUMENTS *(Continued)*

(5) ANALYSIS OF THE UNUSUAL SITUATION ABOUT MAIN ITEMS OF THE FINANCIAL STATEMENTS

Items on cash flow statement

(i) The net cash inflow from operating activities this year was RMB 3,458 million, comparing with 1,673 million of last year, was mainly because of the increasing of cash received from sales of goods or rendering of services and the decreasing of cash paid for all types of taxes.

(ii) The net cash outflow from investing activities this year was RMB 3,089 million, comparing with 2,094 million of last year, was mainly because of the increasing of cash paid for acquisition of fixed assets intangible assets and other long-term assets.

(iii) The net cash outflow from financing activities this year was RMB 1,591 million, comparing with the inflow of 132 million of last year, was mainly because the decreasing of the cash received from borrowings and the increasing of the cash paid for distribution of dividends or profit or reimbursing interest.

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

1. Counterpart of 2011 interim report 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 publicly 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.

Board of Directors
Angang Steel Company Limited*
22 August 2011

ANGANG STEEL COMPANY LIMITED

2011 Interim Report