鞍鋼股份有限公司

ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 347)

2007 INTERIM RESULTS ANNOUNCEMENT

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

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

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

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

I. COMPANY PROFILE

1.	Legal Name of the Company	
	(in Chinese):	鞍鋼股份有限公司
	(in English):	Angang Steel Company Limited
2.	Registered and Business Address of the Company:	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the People's Republic of China (the "PRC")
	Postal Code:	114021
	Company's Internet Website:	http://www.ansteel.com.cn
	E-mail:	ansteel@ansteel.com.cn
3.	Legal Representative of the Company:	Mr. Zhang Xiaogang
4.	Secretary to the Board:	Mr. Fu Jihui
	Correspondence Address:	1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC
	Telephone:	(86) 412-8419192 (86) 412-8417273
	Fax:	(86) 412-6727772
	E-mail:	ansteel@ansteel.com.cn
5.	Company's Designated PRC Newspapers for Disclosure of Information:	China Securities Journal, Securities Times
	Company's Designated Hong Kong Newspapers for Disclosure of Information:	Hong Kong Economic Times, The Standard
	Website for Disclosure of Information designated by CSRC:	http://www.cninfo.com.cn
	Company's Interim Report Available at:	1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC

6.	Stock Exchange Listings:	A Shares:	Shenzhen Stock Exchange
		H Shares:	The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")
7.	Abbreviation of the Company's Shares and Stock Code:	A Shares:	Angang Steel 000898
		H Shares:	Angang Steel 0347

II. MAJOR FINANCIAL DATA AND INDICES (UNAUDITED)

1. Major financial data

Calculated in accordance with International Financial Reporting Standards

Unit: Rmb million

Items	For the six months ended 30 June **2007**	2006
Profit attributable to equity shareholders of the Company	**4,802**	3,109
Earnings per share — (Basic)	**Rmb0.809**	Rmb0.572
Rate of return on net assets (weighted average)	**14.82%**	13.28%

Items	**As at 30 June 2007**	As at 31 December 2006
Total assets	**66,820**	58,936
Equity attributable to equity shareholders of the Company	**31,362**	30,001
Gearing ratio	**53.06%**	49.10%
Net assets per share	**Rmb5.29**	Rmb5.06

Prepared in accordance with the PRC Accounting Rules and Regulations

Unit: Rmb million

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

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

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

Unit: Rmb million

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

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

Unit: Rmb million

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

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

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

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

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

3. Return on net assets and earnings per share for the interim period of 2007 as calculated in accordance with the "Regulations for Preparation and Reporting of Information Disclosed by Listed Companies (No. 9)" issued by the China Securities Regulatory Commission:

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

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

III. DIRECTOR'S REPORT

(1) Business review:

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

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

(1) Speedy growth in output level

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

(2) Consistent improvement in product quality

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

(3) *Significant growth in highly efficient and specialized products*

In the first half of 2007, the Company aimed to produce more steel products that can produce high profit margins and to replace the general steel products in order to implement its development strategy of "establishing a depot for quality products and creating an international brand". Production of high quality and high value-added specialized material totaled 6,831,900 tonnes, representing 92.34% of sales volume, an increase of 13.17 percentage points compared to last year.

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

(4) *High praise on results of innovation*

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

(5) *Smooth progress in technological renovation projects*

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

(6) Breakthroughs in energy saving and consumption reduction

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

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

Principal activities of the Group by industry and products

Unit: RMB million

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

Principal activities by products

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

The pricing policy of connected transactions	The average selling prices between the Company and independent third parties in the previous month or market prices.
Rationale for and continuity of connected transactions	The nature of production process of steel involves continuity. The Company relies on Angang Holding and its subsidiaries for the supply of most of its raw materials. The Company also sells some of its products to Angang Holding and its subsidiaries. Therefore, it is expected that such connected transactions will continue in the future operation of the Company.

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

Note:

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

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

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

(3) Segmental information of principal activities by geographical locations

Unit: Rmb million

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

(4) Problems and difficulties in the operation

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

(5) Investment of the Company

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

Unit: RMB million

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

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

2. Progress on uncompleted projects financed by the proceeds

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

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

Unit: RMB million

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

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

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

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

(9) Analysis of Financial Condition

(In accordance with IFRSs, unaudited)

1. Items of Income Statement and Cash flow statement

Unit: Rmb million

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

Note:

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

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

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

2. Items of Balance Sheet

Unit: Rmb million

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

Note:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. As at 30 June 2007, the total assets less current liabilities of the Group amounted to Rmb46,919,000,000 as compared to Rmb41,414,000,000 at the end of 2006.

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

(12) Charges of assets

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

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

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

As at 30 June 2007, the Group had capital commitment of Rmb25,430,000,000, which was primarily used for construction expenses. As at 30 June 2007, the Group did not have any contingent liabilities.

(14) Equity to liability ratio

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

(15) Foreign exchange risk

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

(16) Employees

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

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

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

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

IV. EXPLANATION ON SIGNIFICANT EVENTS

(1) Corporate governance practice

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

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

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

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

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

(2) Major acquisition, sale or disposal of assets

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

(3) Material litigation and arbitration

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

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

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

(5) Securities Transactions of Directors

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

(6) Independent Non-executive Director

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

(7) Audit Committee

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

The Audit Committee, along with the management, have reviewed the accounting standards, principles and methods adopted by the Group, and considered matters regarding auditing, internal control and financial reporting, including the unaudited interim report for the six months ended 30 June 2007.

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

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

V. INTERIM FINANCIAL REPORT (UNAUDITED)

A. Interim Financial Report prepared in accordance with IAS 34 "Interim Financial Reporting".

Consolidated income statement (unaudited)
for the six months ended 30 June 2007
(Expressed in Renminbi)

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

Consolidated balance sheet at 30 June 2007 (unaudited)
(Expressed in Renminbi)

	Note	**At 30 June 2007** *Rmb million*	At 31 December 2006 *Rmb million*
Non-current assets			
Property, plant and equipment		**32,334**	32,834
Intangible assets		**44**	48
Construction in progress	8	**10,249**	8,401
Lease prepayments		**5,453**	5,486
Interest in associates		**50**	49
Other investment		**91**	10
Deferred tax assets		**114**	114
		48,335	46,942
Current assets			
Inventories		**7,953**	7,220
Amounts due from fellow subsidiaries	9	**4,636**	708
Trade receivables	10	**2,501**	1,729
Prepayments, deposits and other receivables		**1,942**	378
Income tax recoverable		**—**	261
Cash and cash equivalents	11	**1,453**	1,698
		18,485	11,994
Current liabilities			
Trade payables	12	**2,591**	2,537
Amount due to ultimate holding company		**8**	16
Amounts due to fellow subsidiaries		**1,537**	1,051
Other payables		**5,285**	4,210
Short-term bank loans	13	**7,916**	7,384
Current portion of long-term payable to ultimate holding company	14	**2,324**	2,324
Obligations under finance leases		**1**	—
Income tax payable		**239**	—
		19,901	17,522

	Note		
Net current liabilities		**(1,416)**	(5,528)
Total assets less current liabilities		**46,919**	41,414
Total assets less current liabilities brought forward		**46,919**	41,414
Non-current liabilities			
Bank loans	13	**13,227**	9,089
Long-term payable to ultimate holding company	14	**2,324**	2,324
Obligations under finance leases		**6**	—
		15,557	11,413
Net assets		**31,362**	30,001
Capital and reserves			
Share capital		**5,933**	5,933
Share premium		**12,811**	12,811
Reserves		**2,076**	2,076
Retained profits		**10,542**	9,181
Total equity attributable to equity shareholders of the company		**31,362**	30,001

Consolidated statement of changes in equity (unaudited)
for the six months ended 30 June 2007
(Expressed in Renminbi)

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

Condensed consolidated cash flow statement (unaudited)
for the six months ended 30 June 2007
(Expressed in Renminbi)

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

Notes on the interim financial report (unaudited)
for the six months ended 30 June 2007
(Expressed in Renminbi)

1 Basis of preparation

This interim financial report is unaudited but has been reviewed by the Audit Committee of Angang Steel Company Limited (the "Company").

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" adopted by the International Accounting Standards Board ("IASB").

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its jointly controlled entities (the "Group") since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the IASB. IFRSs includes all applicable IFRS, IAS and related interpretations.

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

IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2007. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2007, on the basis of IFRSs currently in issue.

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

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

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

2 Segment reporting

The Group operates principally as a single business segment for the production and sales of steel products. Segment revenue based on the geographical location of customers are as follows:

	Six months ended 30 June	
	2007	2006
	Rmb million	*Rmb million*
Revenue		
People's Republic of China ("PRC")	**24,976**	19,321
Other countries	**8,020**	5,679
	32,996	25,000

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

3 Turnover

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

4 Profit before taxation

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

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

5 Income tax expense

Income tax expense in the consolidated income statement represents:

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

The provision for PRC income tax is calculated at 33% (six months ended 30 June 2006: 33%) of the estimated assessable profits for the period determined in accordance with relevant income tax rules and regulations in the PRC.

6 Dividends

Dividends attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2007	2006
	Rmb million	*Rmb million*
Final dividends in respect of the financial year ended 31 December 2006, approved during the following interim period, of Rmb58 cents per share (year ended 31 December 2005 approved and paid: Rmb36 cents per share)	**3,441**	1,067

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

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: RmbNil).

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of Rmb4,802 million (six months ended 30 June 2006: Rmb3,109 million) and the weighted average number of shares in issue during the six months ended 30 June 2007 of 5,933 million (six months ended 30 June 2006: 5,438 million).

(b) Diluted earnings per share

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

8 Construction in progress

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

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

9 Amounts due from fellow subsidiaries

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

10 Trade receivables

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

The ageing analysis of trade receivables is as follows:

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

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

11 Cash and cash equivalents

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

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

12 Trade payables

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

The ageing analysis of trade payables is as follows:

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

13 Bank loans

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

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

In October 2002, ANSC-TKS entered into a long-term loan facility of Rmb1,080 million (the "Syndicated Loan") for the construction of production line. The Syndicated Loan is secured by the land use rights, construction in progress, property, plant and equipment and trade receivables of ANSC-TKS at carrying amount of Rmb1,043 million at 30 June 2007 (31 December 2006: Rmb1,099 million). The Company pledged its equity interest in ANSC-TKS to secure the performance of the obligations of ANSC-TKS under the loan agreement.

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

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

14 Long-term payable to ultimate holding company

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

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

15 Commitments

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

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

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

(b) In October 2002, a jointly controlled entity of the Company, ANSC-TKS, obtained a Syndicated Loan of Rmb1,080 million for the construction of production line. The Syndicated Loan is secured by the land use rights, construction in progress, property, plant and equipment and trade receivables of ANSC-TKS at carrying amount of Rmb1,043 million at 30 June 2007 (31 December 2006: Rmb1,099 million).

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

Pursuant to the funding supporting agreement dated 22 October 2002, the Company committed to finance ANSC-TKS if it does not have sufficient funds to complete the construction of the galvanising plant, repay the Syndicated Loan or finance the operations. The commitment is limited to US$8 million and will be reduced to US$4 million after the tenth repayment date.

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

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

16 Related party transactions

The following is a summary of significant transactions carried out between the Group, Angang Shenyang Steel Product Processing and Distribution Company Limited (its associate and a subsidiary of Angang Holding), TKAS (Changchun) Tailored Blanks Ltd. ("TKAS"; its associate) and Angang Holding and its business undertakings ("Angang Group") during the period.

(a) Significant transactions and balances with Angang Group

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

(ii) Bank loans

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

(iii) Amount due to ultimate holding company

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

The amount due to ultimate holding company is unsecured, interest free and has no fixed terms of repayment.

(iv) Amounts due from/to fellow subsidiaries

Amounts due from/to fellow subsidiaries mainly represent prepayments and amounts payable for the purchase of raw materials and other services. Advances are received by the Company in respect of sales of finished goods.

The amounts due from/to fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(v) Long-term payable to ultimate holding company

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

(b) Significant transactions with other related parties

(1) Significant transactions relating to ANSC-TKS

(i) Equity investment of the Company in ANSC-TKS

The Company pledged its equity interest in ANSC-TKS to secure the performance of the obligation of ANSC-TKS under the agreement of the Syndicated Loan.

The Company also committed to finance ANSC-TKS if it does not have sufficient funds to complete the construction of the galvanising plant, repay the Syndicated Loan or finance the operations. The commitment is limited to US$8 million and will be reduced to US$4 million after the tenth repayment date.

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

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

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

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

(iv) Sale of finished products to TKAS

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

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

(2) Transactions with key management personnel

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

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

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

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

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

- Sales and purchases of goods, property and other assets; and
- Depositing and borrowing money.

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

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

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

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

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

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

17 Non-adjusting post balance sheet events

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

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

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

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

Consolidated Balance Sheet (unaudited)

30 June 2007

(Expressed in Rmb million)

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

Liabilities and shareholders' funds	**30 June 2007** *Rmb million*	31 December 2006 *Rmb million*
Current liabilities		
Short-term loans	**5,165**	4,630
Bills payable	**1,455**	1,338
Trade payables	**1,300**	1,408
Receipts in advance	**3,604**	3,252
Salaries and other welfare payables	**297**	319
Taxes payable	**664**	(12)
Interest payable	**136**	1
Other payables	**2,033**	1,170
Current portion of long-term liabilities	**5,076**	5,078
Total current liabilities	**19,730**	17,184
Non-current liabilities		
Long-term loans	**13,227**	9,089
Long-term payables	**2,330**	2,324
Deferred tax liabilities	**75**	78
Total non-current liabilities	**15,632**	11,491
Total liabilities	**35,362**	28,675
Shareholders' funds		
Share capital	**5,933**	5,933
Capital reserve	**12,847**	12,847
Surplus reserves	**2,228**	2,228
Undistributed profits	**10,478**	9,115
Total shareholders' funds	**31,486**	30,123
Total liabilities and shareholders' funds	**66,848**	58,798

Consolidated Income Statement (unaudited)

For the six months ended 30 June 2007

(Expressed in Rmb million)

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

Earnings per share

Basic earnings per share	**0.810**	0.572
Diluted earnings per share	**0.810**	0.572

By Order of the Board
Fu Jihui
Secretary to the Board

Anshan City
Liaoning Province, the PRC
21 August 2007

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

Executive Directors:	*Non-Executive Director:*
Zhang Xiaogang	Yu Wanyuan
Tang Fuping	
Yang Hua	*Independent non-executive directors:*
Huang Haodong	Wu Xichun
Wang Chunming	Wang Linsen
Lin Daqing	Liu Yongze
Fu Wei	Francis Li Chak Yan
Fu Jihui	Wang Xiaobin

* *For identification purposes only*