



鞍鋼股份有限公司 ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 347)

FIRST QUARTERLY REPORT FOR 2007

1. IMPORTANT NOTICE

- 1.1. The board of directors (the "Board") and the supervisory committee of Angang Steel Company Limited (the "Company"), its directors (the "Directors"), supervisors and senior management members warrant that there is no misleading statement or misrepresentation contained in, or material omission from this report, and are jointly and severally responsible for the truthfulness, accuracy and completeness of the information contained in this report.
- 1.2. No Directors, supervisors or member of senior management has declared that he/she cannot confirm or has any doubt on the truthfulness, accuracy and completeness of the information hereof.
- 1.3. All the Directors have attended the meeting of Board considering and approving this report.
- 1.4. The financial statements of the Company for the first quarter of 2007 have not been audited.
- 1.5. Mr. Zhang Xiaogang, the Chairman of the Board and Mr. Ma Lianyong, the head in charge of accounting matters of the Company, warrant that the financial statements are true and complete.

2. COMPANY PROFILES

2.1 Major Accounting Data and Financial Indicators of the Group (prepared in accordance with PRC Accounting Rules and Regulations) (unaudited)

Unit: RMB'000,000

Items	End of the reporting period	End of the last year	Increase / (decrease) at the end of the reporting period as compared with the preceding year end (%)
Total assets	62,795	58,797	6.80
Shareholders' funds (RMB)	32,517	30,123	7.95
Net assets per share (RMB)	5.48	5.08	7.87

Items	From the beginning of the year to the end of the reporting period	Increase / (decrease) of the reporting period as compared with the corresponding period of last year (%)
Net cash flows from operating activities	2,610	(12.77)
Net cash flows from operating activities per share (RMB)	0.44	(12.70)

Items	During the reporting period	From the beginning of the year to the end of the reporting period	Increase / (decrease) in the reporting period as compared with the corresponding period of last year (%)
Net profit	2,394	2,394	111.67
Basic earnings per share (RMB)	0.404	0.404	76.42
Diluted earnings per share (RMB)	0.404	0.404	76.42
Return on net assets (%)	7.36	7.36	Increased by 2.89 percentage points
Return on net assets after deduction of non-operating items (%)	7.35	7.35	Increased by 2.87 percentage points

Non-operating items

Unit: RMB'000,000

Items	From the beginning of the year to the end of the reporting period
Non-operating income	7
Relevant Income tax	(2)
Total	5

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

Total number of shareholders 75,432 shareholders, including 285 H share shareholders

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

Name of shareholders	Number of shares not subject to any trading moratorium held at the end of the reporting period Unit: Share	Type of share
HKSCC Nominees Limited	881,800,599	H shares
China Industrial and Commercial Bank-Southern Sustaining Growth Fund (中國工商銀行—南方穩健成長證券投資基金)	35,521,720	A shares
China Industrial and Commercial Bank — Harvest Strategic Growth Mixed Securities Investment Fund (中國工商銀行—嘉實策略增長混合型證券投資基金)	34,498,218	A shares
Combination of One, Zero and Six of National Social Insurance Fund (全國社保基金—零六組合)	33,223,441	A shares
Agricultural Bank of China — Franklin Sealand Flex Cap Securities Investment Fund (中國農業銀行—富蘭克林國海彈性市值股票型證券投資基金)	18,869,636	A shares
Fenghe Value Securities Investment Fund (豐和價值證券投資基金)	18,857,450	A shares
China Industrial and Commercial Bank — Zhonghai Energy Strategy Mixed Securities Investment Fund (中國工商銀行—中海能源策略混合型證券投資基金)	16,513,660	A shares
Bank of China — Invesco Great Wall Premium Selection Equity Securities Investment Fund (中國銀行—景順長城優選股票證券投資基金)	15,701,597	A shares
Agricultural Bank of China — Dacheng Active Growth Equity Securities Investment Fund (中國農業銀行—大成積極成長股票型證券投資基金)	15,425,307	A shares
China Industrial and Commercial Bank — E Fund Value Selection Equity Securities Investment Fund (中國工商銀行—易方達價值精選股票型證券投資基金)	15,000,000	A shares

3. SIGNIFICANT EVENTS

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

Applicable Not applicable

- Business income and income from principal operations increased as compared with the corresponding period of last year, mainly attributable to (i) the increase in the sales volume of products, (ii) the increase in the product prices, and (iii) the increase in the proportion of high value-added products as a result of the adjustment of the production mix.
- Business tax and surcharges increased significantly as compared with the corresponding period of last year, mainly due to the following two reasons. First of all, the Company achieved more income from principal operations than the corresponding period of last year and thus recorded more value-added tax in the current period than the corresponding period of last year by RMB197 million, which caused the increase in surtax paid as a certain proportion of value-added tax and led to the increase in business tax and surcharges by RMB22 million. Secondly, the Company's export volume increased in the current period and the exempted value-added tax reported for export increased by RMB840 million as compared with the corresponding period of last year, resulting in the increase in surtaxes (calculated and paid as per a certain proportion of the exempted value-added tax) and the increase of RMB92 million in business tax and surcharge.
- The increase in sales expenses as compared with the corresponding period of last year was due to the increase in the sales volume of products resulting in the increase in the sales expenses, and the increase in the export product resulting in the export sales expenses.



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4. Administrative expenses incurred in the current period were RMB678 million, representing an increase of RMB395 million as compared with RMB283 million (calculated by retroactive method according to the new accounting standards) in the corresponding period of last year and an increase of RMB266 million as compared with the RMB412 million in the last year (according to fully restated the new standard). The increase of RMB32 million in administrative expenses was due to (i) the increase in the land use tax paid pursuant to the relevant tax regulations; (ii) the firefighting expenses of RMB9 million incurred in the current period which was not incurred in the corresponding period of last year; and (iii) an increase of RMB225 million in the repair charge of fixed assets recognised under the new accounting standards as compared with that of the corresponding period of last year.
5. Operating profit, total profits, net profits, earnings per share and return on net assets increased substantially as compared with the corresponding period of last year, mainly attributable to (i) the increase in the sales volume of products; (ii) the increase in the product prices; (iii) the adjustment in product mix; and (iv) enhancement of the cost control and reduction of the cost.
6. The increase in income tax as compared with the corresponding period of last year was mainly attributable to the increase in the Company's total profits as compared with the corresponding period of last year and the decrease in the amount of tax preference enjoyed by the Company as compared with the corresponding period of last year.
7. The increase in accounts receivable as compared with the end of last year was mainly attributable to the increase in sales volume of products in the current period, the increase in sales through the export agency arrangement with Angang Group International Economy and Trade Company Limited, and the increase in accounts receivable for the Company's steel products distributed to the First Automobile Group.
8. The increase in prepayments was mainly attributable to the engineering advances of RMB474 million being credited to prepayments under the new accounting standard and the increase of RMB164 in prepayment of purchase expenses of raw materials, fuels and equipment.
9. The increase in long-term equity investment as compared with the end of last year was mainly attributable to the Company's subscription for a total of RMB81 million non-public shares of Hunan Zhuye Torch Metals Co., Ltd.
10. The significant increase in taxes payable as compared with the end of last year was because the Group's taxes and expenses were RMB-12 million as the end of 2006 mainly resulting from the income tax of RMB261 million returned by the tax authorities after calculation of income tax for the year 2006. But the Group's profit from production and operation was relatively high in the first quarter, and income tax payable was RMB433 million in the first quarter.

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

Applicable Not applicable

1. The 6th meeting of the fourth session of the Board which was held on 2 February 2007 considered and approved the resignation of Mr. Liu Jie as the Director and Chairman of the Company, and elected Mr. Zhang Xiaogang as the candidate of the Executive Director of the Company. On 26 March 2007, the Company held the first EGM for 2007 and approved the Proposal for Electing Mr. Zhang Xiaogang as the Executive Director of the Company. Mr. Zhang Xiaogang was considered and elected as the Chairman of the Company at the 8th meeting of the fourth session of the Board of the Company.
2. On 26 March 2007, The Proposal for Agreeing with Angang Steel Company Limited Regarding Its Investment in the Chaoyang Steel and Iron Production Facilities Construction Project was considered and approved at the 8th meeting of the fourth session of the Board of the Company. The announcement of the 8th meeting of the fourth session of the Board was published in China Securities Journal, Securities Times, Hong Kong Economic Times, The Standard and the website (www.cninfo.com.cn) on 27 March 2007.

3.3 Undertakings by the Company, shareholders and the actual controlling shareholder

Applicable Not applicable

1. Anshan Iron & Steel Group Complex ("Angang Holding"), the controlling shareholder of the Company, has made certain statutory minimum undertakings during the period of the State-owned Share Reform Plan under the relevant laws and regulations.
In addition to the statutory minimum undertakings, it made the following undertakings:
 - (1) The state-owned shares held by Angang Holding following the completion of the State Share Reform Plan would be subject to a trading moratorium of 36 months from the listing date excluding the state-owned shares to be transferred to any A share shareholder upon his/her exercise of the warrants.

- (2) In the event that the Company, subject to approval of its shareholders and the relevant authority, issues new tradeable A shares to Angang Holding for the acquisition of the entire equity interests in ANSI, such new shares would also be subject to a trading moratorium of 36 months from the day on which the shares were transferred to Angang Holding's account.
- (3) Angang Holding shall maintain a minimum of 60% shareholding in the Company following the completion of the acquisition till 31 December 2010.
- (4) Angang Holding shall compensate other shareholders for any loss arising from its failure to fulfill the whole or part of the undertakings.
- (5) Angang Holding shall arrange for the deposit of the consideration shares with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch to ensure the fulfillment of its obligations under the acquisition.
- (6) Angang Holding shall be responsible for all the costs and expenses arising from the implementation of the State Share Reform Plan.

Angang Holding further undertook that:

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

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

2. Angang Holding gave an undertaking to the Company on 25 May 2005 that upon completion of the acquisition of 100% equity interest in Angang New Steel and Iron Company Limited, Angang Holding would provide a discount equal to 10% of the average import price of iron concentrate reported to the PRC customs in the preceding year reported period on the highest amount of the price of iron concentrate as determined according to the pricing formula as set out under the Supply of Materials and Services Agreement.

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

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

Applicable Not applicable

Currently, the Company estimates its accumulated net profit for the period from the beginning of 2007 to the end of the next reporting period will increase by 50%–70% as compared with the corresponding period of last year, which is mainly attributable to the increase in the sales price of steel products and sales volume as compared with the corresponding year of last year, the improvement of product mix and product qualities and the reduction in the product cost.

3.5 Explanation of reasons for the difference between the shareholders' fund at the beginning of 2007 in the balance sheet of the quarterly report and the shareholders' funds at the beginning of 2007 in the "Shareholders' Funds Reconciliation between new and old accounting standards.

Applicable Not applicable

By Order of the Board
Zhang Xiaogang
Chairman

Anshan City, Liaoning Province, the PRC
27 April 2007

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

Executive Directors:

Zhang Xiaogang
Tang Fuping
Yang Hua
Huang Haodong
Wang Chunming
Lin Daqing
Fu Wei
Fu Jihui

Non-Executive Director:

Yu Wanyuan

Independent non-executive directors:

Wu Xichun
Wang Linsen
Liu Yongze
Francis Li Chak Yan
Wang Xiaobin



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FIRST QUARTERLY REPORT FOR 2007

APPENDIXES

Balance Sheet (prepared in accordance with PRC Accounting Rules and Regulations) (unaudited)

Prepared by: Angang Steel Company Limited

Unit: RMB'000,000

Item	At 31 March 2007		At 31 December 2006	
	The Group	The Company	The Group	The Company
Current assets:				
Cash at bank and in hand	1,960	1,646	1,698	1,480
Bills receivable	1,747	1,747	1,409	1,409
Trade receivables	1,337	1,327	648	676
Prepayments	1,249	1,219	611	592
Other receivables	67	65	68	68
Inventories	7,630	7,489	7,220	7,036
Total current assets	13,990	13,493	11,654	11,261
Non-Current Assets:				
Long-term equity investments	140	860	59	660
Fixed assets	32,218	31,768	32,814	32,401
Construction in progress	10,615	10,486	8,400	8,256
Intangible assets	5,708	5,650	5,734	5,681
Deferred income tax assets	124	124	132	132
Other non-current assets	—	—	4	—
Total Non-Current Assets	48,805	48,888	47,143	47,130
Total assets	62,795	62,381	58,797	58,391
Current liabilities:				
Short-term loans	5,005	4,980	4,630	4,580
Bills payable	1,344	1,344	1,338	1,338
Trade payables	1,362	1,347	1,401	1,401
Receipts in advance	3,139	3,111	3,261	3,230
Accrued payroll	282	281	318	318
Taxes payable	671	675	(12)	(3)
Other payables	1,253	1,224	1,169	1,148
Non-current liabilities due within one year	5,651	5,611	5,078	5,037
Other current liabilities	3	3	—	—
Total current liabilities	18,710	18,576	17,183	17,049
Non-current liabilities:				
Long-term loans	9,159	8,881	9,089	8,811
Long-term payables	2,332	2,324	2,324	2,324
Deferred income tax liabilities	77	77	78	78
Total non-current liabilities	11,568	11,282	11,491	11,213
Total liabilities	30,278	29,858	28,674	28,262
Owners' equity (Shareholders' funds)				
Paid-up capital (share capital)	5,933	5,933	5,933	5,933
Capital reserve	12,847	12,847	12,847	12,847
Less:				
Surplus reserves	2,228	2,228	2,228	2,228
Undistributed profits	11,509	11,515	9,115	9,121
Total owners' equity	32,517	32,523	30,123	30,129
Total liabilities and owners' equity	62,795	62,381	58,797	58,391

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

Income Statement (prepared in accordance with PRC Accounting Rules and Regulations) (unaudited)

Prepared by: Angang Steel Company Limited

Unit: RMB'000,000

Item	For the three months ended 31 March 2007		For the three months ended 31 March 2006	
	The Group	The Company	The Group	The Company
I: Total operating income	16,017	15,854	12,076	11,971
Including: operating income	16,017	15,854	12,076	11,971
II: Total operating cost	12,546	12,404	10,504	10,403
Including: operating cost	11,201	11,076	9,745	9,649
Business tax and surcharges	198	198	84	84
Sales expenses	295	291	218	216
Administrative expenses	678	668	283	280
Financial expenses	177	171	183	174
Assets impairment loss	(3)	—	(9)	—
Investment gain	—	22	(1)	6
III: Operating profit	3,471	3,472	1,571	1,574
Add: Non-operating income	7	6	1	1
Less: Non-operating expenses	—	—	4	4

IV. Total profit	3,478	3,478	1,568	1,571
Less: income tax	1,084	1,084	437	437
V. Net profit	2,394	2,394	1,131	1,134
Net profit attributable to owners of the parent	2,394	2,394	1,131	1,134
VI. Earnings per share				
(1) Basic earnings per share (RMB)	0.404	0.404	0.229	0.229
(2) Diluted earnings per share (RMB)	0.404	0.404	0.229	0.229

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

Cash Flow Statement

(Prepared in accordance with PRC Accounting Rule and Regulations) (unaudited)

Prepared by: Angang Steel Company Limited From January 2007 to March 2007

Unit: RMB'000,000

Item	For the three months ended 31 March 2007		For the three months ended 31 March 2006	
	The Group	The Company	The Group	The Company
I. Cash flows from operating activities:				
Cash received from sale of goods and provision of service	16,424	16,291	12,539	12,554
Refund of taxes	133	123	30	24
Cash received in relation to other operating activities	3	2	2	2
Sub-total of cash inflows from operating activities	16,560	16,416	12,571	12,580
Cash paid for goods and service	11,766	11,712	8,130	8,077
Cash paid to and on behalf of employees	488	484	398	395
Taxes paid	1,537	1,525	828	828
Cash paid in relation to other operating activities	159	156	223	219
Sub-total of cash outflows from operating activities	13,950	13,877	9,579	9,519
Net cash flows from operating activities	2,610	2,539	2,992	3,061
II. Cash flows from investing activities:				
Cash inflows in relation to acquisition of Angang New Steel and Iron Company Limited	—	—	593	569
Net cash flows from disposal of fixed assets, intangible assets and other long-term assets	7	—	—	—
Cash received in relation to investment activities	3	3	118	118
Sub-total of cash inflows from investment activities	10	3	711	687
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets	3,059	3,010	1,028	1,028
Cash paid for investment	81	178	—	—
Cash paid in relation to other investing activities	—	—	1	—
Sub-total of cash outflows from investment activities	3,140	3,188	1,029	1,028
Net cash flows from investing activities	(3,130)	(3,185)	(318)	(341)
III. Cash flows from financing activities:				
Proceeds from loans	2,285	2,200	1,268	1,100
Sub-total of cash inflows from financing activities	2,285	2,200	1,268	1,100
Repayment of loans	1,266	1,157	2,370	2,278
Cash paid for dividend, profit or interest	229	223	166	158
Cash paid in relation to other financing activities	8	8	11	11
Sub-total of cash outflows from financing activities	1,503	1,388	2,547	2,447
Net cash flows from financing activities	782	812	(1,279)	(1,347)
IV. Effect of exchange rate fluctuations on cash and cash equivalents held	—	—	12	13
V. Net increase in cash and cash equivalents	262	166	1,407	1,386
Add: Cash and cash equivalents at the beginning of the year	1,698	1,480	562	515
VI. Cash and cash equivalents at the end of the year	1,960	1,646	1,969	1,901

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

Audit opinion: unaudited