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 Annual Results Announcement

FINANCIAL HIGHLIGHTS

- Turnover increased by 20.28% to Rmb65,294 million
- Profit before taxation increased by 10.59% to Rmb10,382 million
- Profit for the year and attributable to equity shareholders of the Company increased by 6.20% to Rmb7,534 million
- Basic earnings per share increased to Rmb1.121 (2006 (restated): Rmb1.074)
- Proposed final dividend of Rmb0.55 per share (2006: Rmb0.58 per share)

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

Unit: Rmb million

	2007	2006 *(restated)*
Turnover	**65,294**	54,283
Profit before taxation	**10,382**	9,388
Taxation	**2,848**	2,294
Profit for the year attributable to equity shareholders of the Company	**7,534**	7,094
Total assets	**87,381**	58,513
Total liabilities	**33,254**	28,512
Total equity attributable to equity shareholders of the Company	**54,127**	30,001
Net assets per share *(Rmb)*	**7.48**	5.06
Earnings per share (basic) *(Rmb)*	**1.121**	1.074
Return on net assets *(%)*	**13.92**	23.65

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

Key financial data for the year ended 31 December 2007

Unit: Rmb million

Item	Amount
Operating profit:	10,450
Total profit:	10,373
Net profit attributable to shareholders of the listed company:	7,525
Net profit after extraordinary items attributable to shareholders of the listed company:	7,613
Net cash flow generated from operating activities:	7,906
Investment income:	81
Net non-operating expenses:	(77)
Net increase in cash and cash equivalents:	6,253

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

No.	Extraordinary item	Effect on profit *(Rmb million)*
1	Non-operating income	44
2	Non-operating expenses	(121)
3	Relevant income tax	25
4	Impact from change in income tax rate	(36)
	Total	(88)

OPERATING RESULTS FOR 2007

Based on the IFRSs, the Company recorded a profit attributable to equity shareholders of Rmb7,534 million for the year ended 31 December 2007, representing an increase of 6.20% from the previous year, and its basic weighted average earnings per share was Rmb1.121.

Based on the PRC GAAP, the Company recorded a net profit of Rmb7,525 million for the year ended 31 December 2007, representing an increase of 7.45% from the previous year, and its basic earnings per share was Rmb1.120.

PROFIT DISTRIBUTION AND CLOSURE OF REGISTER OF MEMBERS

As audited and confirmed by KPMG Huazhen, as at the end of 2007, the Company's profit for distribution to shareholders was Rmb12,446 million under the PRC GAAP. The Board recommended a final dividend of Rmb0.55 per share (inclusive of tax) for 2007 based on the total share capital of 7,234,807,847 shares as at 31 December 2007.

Subject to approval of shareholders at the forthcoming annual shareholder meeting of the Company, the final dividend will be distributed to the H shareholders of the Company whose names appear on the register of the H shareholders of the Company at the close of business day on Tuesday, 13 May 2008. The register of the H shareholders of the Company will be closed from Wednesday, 14 May 2008 to Thursday, 12 June 2008 (both days inclusive), during which no transfer of the H shares of the Company will be registered. To qualify for the final dividend, all transfer of the H shares of the Company accompanied by the relevant share certificates must be lodged with Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 13 May 2008.

BUSINESS REVIEW

1. Higher production output and operation indices

During the reporting period, the Company produced 16,100,000 tonnes of iron, 16,080,000 tonnes of steel and 14,930,000 tonnes of steel products, representing an increase of 6.26%, 6.02% and 6.42%, respectively, as compared with that of the previous year, which included 3,040,000 tonnes of cold rolled sheets, 1,440,000 tonnes of galvanized steel sheets and colour coated plates, 1,110,000 tonnes of thick plates, 800,000 tonnes of wire rods, 490,000 tonnes of large steel products, 5,770,000 tonnes of hot rolled sheets, 880,000 tonnes of cold rolled silicon steel, 840,000 tonnes of medium plates, and 560,000 tonnes of seamless steel pipes.

2. More efficient energy saving and more successful emission reduction

The Company's energy management and control systems improved due to the establishment of the new energy control centre and optimised energy management through information technology.

The Company implemented various environmental protection projects to technically enhance its operations, and also completed the construction of the No. 3 Coke Dry Processing Project of the Chemical Plant Project Phase III and the main frame of the No. 4 Coke Dry Processing Project. In 2007, the Company approved 17 projects focusing on energy saving and emission reduction, with an expected reduction in sewage discharge of 1,875 tonnes/hour and new water saving of 530 tonnes/hour.

3. Productive results in scientific and technological innovation

The Company carried out 28 scientific research projects covering a total of 197 research matters during 2007; more than 155 research matters proceeded to the trial implementation stages, among which 121 research matters achieved Rmb580 million of value-added benefit per annum. Seven new products were submitted for provincial innovation awards, while six research projects received the Anshan Municipal Scientific Progress Award and three research projects received the Second Award for Metallurgical Technology Improvement.

The Company's development of key new products made significant progress in 2007. High strength cold rolled automotive steel TRIP600 and TRIP800 were successfully developed with technological break-throughs that achieved international status in terms of its advanced research and design capabilities. With the rapid development of high-grade pipeline steel, a series of products were produced, including SSAW-X80, ERW-X80, thin gauge/thick gauge SSAW-X70, thin gauge/thick gauge straight seam X70 strips which were used for the second pipeline of West-East Natural Gas Transportation Project in the PRC, and were also used in almost 20 major pipeline projects both in the PRC and abroad. Structural steel plate for hull, FH550, passed certification and began commercial production. Maximum thickness of the high strength ship plate and the super-high strength ship plate reached 100mm and 80mm, respectively. As for steel containers, the 700MPa grade AS700MC commenced commercial production and were sold to customers on a steady basis while the proportion of container steel plates with super-thin gauge (≤2.0mm) within the Company's product mix increased significantly. The 100m fixed length high-speed steel rails passed the on-rail technology inspections of passenger dedicated railway conducted by PRC Transport Bureau of Ministry of Railway. Meanwhile, the development and trial production of high-carbon pearlitic rail U77MnCr were completed, and were used as trial paving on the Datong-Qinhuangdao Railway.

4. Steady progress in the Bayuquan Project

The Bayuquan Project continued to progress steadily. As at the end of 2007, 70% of the total construction was completed; the structural works in civil engineering was substantially completed; railway tunnel access has been completed; the marine terminal transportation project is on schedule; the 220KV substation was completed on 8 January 2008, which facilitated trial production; the main frame of No. 1 Coke Oven has met the standards for heating and coke discharging, while other main projects and relevant auxiliary equipments and facilities are being installed. Preparations have been made for trial implementation in respect of human resource system, system building equipments and materials. The project is expected to be completed in stages and will commence operations in August 2008.

5. Outstanding sales and marketing achievements

The Company adjusted its product mix substantially to continue to increase the percentage of specialized steel materials. In 2007, the Company focused on the development of markets for specialized steel materials including container sheet, pipeline steel, shipbuilding sheet, home appliance sheet, petroleum pipe and weathering steel, further promoting its brand strategy by increasing the proportion of products with advanced technology and high added value. In 2007, the Company ranked first in terms of sales volume of key products and became the largest supplier for shipbuilding plates and pipeline steel in the PRC. In 2007, 13,761,700 tonnes of specialized steel materials were produced, accounting for 92.29% of the total products produced by the Company.

The Company actively participated in the construction of key national projects in the PRC, strengthening brand awareness and actively promoting the Angang brand. The Company actively developed pipeline steel products and expanded the market coverage of steel plate for turbine spiral case. In 2007, it supplied 80,000 tonnes of X70 pipeline steel used in the pipeline steel project for transferring gas from Sichuan Province to Eastern China by China Petrochemical Corporation. The Company followed closely the key national petrochemical projects, winning consecutive bids in the Huangdao Base Project for National Petroleum Strategic Reserves, Caofeidian, Lanshan Project of Zhenhai District. The Company participated in the bidding for rail supply for the Zhengzhou-Xi'an Passenger Dedicated Railway Line in China, and won the bid for 60,000 tonnes of 350Km/h and high speed steel rail with 100m fixed length for trains, which was a significant milestone in China's railway history.

The Company promoted strategic cooperation to strengthen existing sales channels. Strengthening cooperation with key direct supply enterprises, the Company established strategic partnership with many major domestic enterprises including PetroChina, Sinopec, DSIC, CIMC, PetroChina Daqing Oilfield, PetroChina Huabei Oilfield Company, FAW and Haier. While strengthening the existing direct supply enterprises, the Company endeavoured to explore new markets and expand marketing channels.

The Company increased its exports in 2007. Despite the unfavourable adjustment in export tax refund by the State, the Company still maintained its volume of exports and stabilized domestic sales so as to maximize economic benefits by capitalizing on its quality products and service. The Company's export settlement amounted to 3,140,000 tons, representing 20.82% of total sales volume.

6. Strengthened and improved corporate management

The Company's management evaluation system was implemented on a Group-wide basis, and substantial results has been achieved. The Company supervised and checked on its key management aspects and bottleneck problems, and included them in the Company's assessment indicators, thus effectively improving the efficiency of the management system.

By strengthening financial management, the Company improved the accuracy and practicability of the budgeting process on an going basis. Having further boosted the management work for procedure cost and quality cost, the Company is currently undertaking a change in its accounting method of finance costs from "computerization" to "informatization" and changing its accounting system towards a more efficient and integrated one-level accounting model.

As a result, the corporate information management has improved steady. The new production and control centre built by the Company was put into operation at the beginning of July 2007, and has played an important role in the Company's energy saving and emission reduction, energy balance, control of production process, equipment operation management, emergency scheme and handling of accidents.

Based on the Company's people-oriented principle and the philosophy of "zero work injury", the Company further improved all staff's safety awareness and safety management effectiveness by implementing comprehensive staff's safety management appraisal. Accidents for the year decreased by 72% from the previous year.

FINANCIAL STATUS (IN ACCORDANCE WITH IFRSs)

Unit: Rmb million

Item	2007	2006 *(restated)*	Change *(%)*	Reason for change
Total assets	**87,381**	58,513	49.34	A
Non-current liabilities	**12,443**	11,135	11.75	B
Total equity attributable to shareholders of the Company	**54,127**	30,001	80.42	C
Turnover	**65,294**	54,283	20.28	D
Gross profit	**14,499**	12,443	16.52	D
Profit for the year attributable to shareholders of the Company	**7,534**	7,094	6.20	D
Net increase in deposit with banks, cash and cash equivalents	**6,276**	965	550.36	E

Notes:

A. The increase in total assets was mainly attributable to factors including net profit generated from operations and net proceeds from the Company's A share and H share rights issue.

B. The increase in non-current liabilities was mainly attributable to the increase in loans for construction projects.

C. The increase in equity attributable to equity shareholders of the Company was due to (i) the increase in share capital of Rmb1,302 million resulting from rights issue, and the increase of Rmb18,603 million in share premium; (ii) the increase in retained earnings (including: the increase of Rmb7,534 million in net profit for the year, the decrease of Rmb3,441 million in payment of dividend for 2006); (iii) the increase in reserve of Rmb143 million arising from change in fair value of available-for-sale financial assets; and (iv) the decrease of Rmb15 million in reserve arising from re-valuation of deferred tax.

D. The increase in turnover, gross profit and profit for the year attributable to shareholders of the Company was due to (i) the expansion of production and sales scale resulting from the new product line and gradual utilization of the product line's capacity after a series of work including technical renovations; (ii) the rise in the product price; (iii) the adjustment in product portfolio and the increase in output of higher value-added products owing to the Company's strategy for producing exquisite products; and (iv) the decrease in cost of products resulting from the Company's enhancement of cost control and substantial reduction of material and energy consumption.

E. The higher increase in deposit with banks, cash and cash equivalents was mainly attributable to (i) the decrease of Rmb3,533 million in the net cash inflow from operating activities as compared with the previous year due to the increase in operating receivables; (ii) the increase of Rmb5,894 million in net cash outflows from investment activities as compared with the previous year due to the increased acquisition of fixed assets and expenditures in construction in progress; and (iii) the increase of Rmb14,738 million in net cash inflow from financing activities due to factors such as increase in cash received from the Company's A share and H share rights issue.

INVESTMENT

(1) External Investments:

The Company's external investment for 2007 amounted to Rmb248 million, representing a decrease of 29.94% from Rmb354 million in the last year.

In particular, the Company invested Rmb47 million, Rmb120 million and Rmb81 million in ANSC-TKS Dalian, ANSC-Dachuan, and Zhuzhou Smelter Group Co., Ltd. respectively.

(2) Use of fund raised

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

Unit: Rmb million

Total net funds raised	19,905
Total funds used during the year	11,869
Total accumulated use of fund raised	11,869

Projects undertaken	**Proposed investment**	**Changes in use of proceeds**	**Actual investment**	**Actual (estimated) benefits**	**Whether or not progressing as scheduled and achieving estimated return**
Bayuquan Project	22,600	No	18,469	Financial internal rate of return: 12.1%	Yes

Explanation to failure in completion as scheduled and estimated return	—
Explanation to reason for change and change procedures	—
Application and status of unused proceeds	Unused fund raised of Rmb1,950 million were applied as additional working capital, and the remaining unused fund was deposited with the designated account for fund raised from rights issue on the principle of application of fund for a specified purpose.

(3) Progress of investment of non-publicly raised funds

Unit: Rmb million

Name of project	Estimated amount	Progress	Return
2130 Cold Rolling Steel	2,704	Completed	760
Renovation of Chemical Plant	3,927	69.24%	664
1450 Project in West Area	2,900	77%	
High Grade Silicon Steel Project	2,800	6%	—
Total	12,331	—	1,424

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

As of 31 December 2007, the Company had 32,245 employees, of which 20,847 were production staff, 300 were sales staff, 2,728 were technicians, 293 were accounting staff and 2,696 were administration personnel. Of the Company's employees, 5,152 held bachelor or higher degrees, representing 15.98% of the total number of the employees; 6,886 held diplomas, representing 21.36% of the total number of the employees and 14,705 held secondary education, representing 45.60% of the total number of the employees.

In 2007, the Company provided various training programmes to address the different job requirements of its employees. 245,851 persons received group training for the year, of which, 8,987 persons joined the company-level training and 216,254 persons participated in unit-level training. As a result of these trainings, the overall work quality improved, which enabled the Company to achieve improved production and operation targets in 2007.

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

DEVELOPMENT PLAN FOR THE YEAR 2008

1. Analysis on the Steel Market and Opportunities and Challenges Faced by the Company

The Company expects that China's economy will maintain steady growth in 2008, enabling the domestic steel market to maintain its robust demand. Meanwhile, the PRC will accelerate the shutdown and elimination of out-dated production capacity, which will consolidate the domestic steel industry and the healthy growth of domestic steel production.

However, the growth of the PRC steel industry will also face some uncertainties in 2008. First, the price increase in raw materials and fuel will adversely affect the steel manufacturers in terms of cost-structure; second, the PRC will implement tight monetary policy affecting the investments in fixed assets, which is expected to slow down; third, the State's macro-control measures will further impact the total export of steel products.

Year 2008 will be a crucial year for the Company's production and operation as well as for its construction and renovation projects. By capturing market opportunities, rationally allocating resources and strengthening energy saving and emission reduction, the Company is well-positioned to make every effort to consummate the construction and commencement of production of its Bayuquan Project and enhance its production and operation.

2. Operation plan of the Company for Year 2008

The strategy of the Company in 2008 will be the following: continue to increase its production scale and improve key indices, emphasize on energy saving and emission reduction, diversify and expand product categories, enhance product quality, prioritize performance and economic benefits, and balance operational system and control.

The Company plans to implement the following steps as part of the strategy:

(1) To strengthen cost control, leverage internal opportunities and improve economic benefits.

(2) To implement national policies on energy saving and emission reduction, promote the development of energy saving projects, and increase the use of secondary energy. Utilizing refined management, exploring opportunities for acquisitions, and actively promoting new energy saving technology, the Company will continue to focus on its work on energy saving.

(3) To use its best efforts to complete the construction of the Bayuquan Project and expedite the development of product lines to achieve their expected capacity and results.

(4) To build a brand-oriented enterprise by adhering to economic benefit as a key priority, optimising product mix and improving marketing service system.

(5) To further improve production and operation level on the principle of "Improving performance of the Headquarters, ensuring smooth production of the new area, achieving coordination and balance" in respect of production and organisation.

(6) To expedite management innovation and improve management generally.

3. Capital Requirements, Utilisation Plan and Funding Sources for 2008

The estimated investment amount for the Company's proposed Bayuquan Iron and Steel Project is approximately Rmb22.6 billion. In 2008, Rmb4.7 billion is expected to be invested in this project. In addition, the Company plans to invest Rmb10 billion in 2008 for various technical renovation projects, including chemical renovation, seamless ϕ177 Unit renovation and wire rod plant renovation.

In connection with the acquisition of the 100% equity interests of ANSI from Angang Holding, the Company agreed to pay the deferred consideration for such acquisition to Angang Holding in three instalments in equal amount within three years following the date of transfer under the acquisition agreement. The deferred consideration payable by the Company in 2008 is approximately Rmb2.3 billion.

In 2008, the Company's capital requirements will be mainly financed by the net proceeds raised from the A and H share rights issue in 2007, cash generated from operating activities and bank loans.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE OF THE COMPANY (BASED ON THE IFRSs)

As of 31 December 2007, the Company had long-term loans of Rmb12.297 billion (exclusive of loans due within one year) with annual interest rates ranging from 4.94% to 7.05%, repayment periods ranging from 2 to 22 years and maturity dates between 2009 to 2030. The loans were mainly used for equipment renovation projects and the construction of the Bayuquan Iron and Steel Project. The Company's long-term liabilities due within one year amounted to Rmb2.814 billion. With good credit ratings and high product profitability, the Company expects to have sufficient cash to repay the existing liabilities when they fall due.

As of 31 December 2007, the Company's cash and cash equivalents increased by Rmb6.253 billion to Rmb7.733 billion from Rmb1.480 billion for the previous year, which was mainly attributable to proceeds received from the A and H share rights issue.

As of 31 December 2007, the Company's total assets less current liabilities amounted to Rmb66.57 billion, as compared with Rmb41.136 billion in the previous year. The shareholders' equity of the Company amounted to Rmb54.127 billion as at 31 December 2007, compared with Rmb30.001 billion as at 31 December 2006.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2007, the Company had capital commitments of Rmb12.887 billion in respect of construction projects and improvement of production lines that were authorised and contracted by the Company.

As at 31 December 2007, the Company did not have any contingent liability.

FOREIGN EXCHANGE RISK

The Company exported some of its products and it also imported certain raw materials, equipment, spare parts and materials. Major transactions of export and import were settled through import & export agencies at a locked exchange rate. Hence, there is no significant foreign exchange risk.

GEARING RATIO

Under the IFRSs, the ratio of the Company's shareholders' equity to liabilities in 2007 was 1.63 times, as compared to 1.05 times in 2006.

MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration in 2007.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

In November 2007, the Company issued a total of 1,301,822,150 shares to the shareholders of the Company pursuant to a rights offering on the basis of 2.2 shares for every then existing 10 shares, comprising 1,106,022,150 A shares and 195,800,000 H shares.

Save for the rights issue mentioned above, there was no other purchase, sale or redemption by the Company or any of its subsidiaries of its securities.

CORPORATE GOVERNANCE PRACTICE

With shares listed on both the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, the Company is committed to improving its corporate governance in accordance with international corporate governance standards. The Board and the management understand that they are responsible for sound corporate governance practice and procedures with strict implementation, so as to ensure the interests of the shareholders and to maximise the investment return for the shareholders in the long term.

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

SECURITIES TRANSACTIONS OF DIRECTORS

The Board has adopted the provisions set out in Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong in respect of the directors' dealing in the Company's securities and relevant regulations on the Stock Transactions by Directors, Supervisors, and Senior Management of Listed Companies made by CSRC and Shenzhen Stock Exchange. Having made specific enquiries to each of the directors of the Company, all of the directors of the Company confirmed that they have complied with the standards set out in Model Code and relevant regulations of CSRC and Shenzhen Stock Exchange.

The Company has also adopted a code of conduct governing securities transactions by the employees of the Company who may possess or have access to price sensitive information in relation to the Company or its securities.

AUDIT COMMITTEE

The Audit Committee and the management of the Company have jointly reviewed the accounting policy adopted by the Company, and have communicated on the issues in relation to the auditing, internal control and financial statements of the Company (including review of the audited financial statements for the year ended 31 December 2007).

MATERIAL GUARANTEE

In October 2002, a jointly controlled entity of the Company, ANSC-TKS Dalian, entered into a loan agreement and obtained a long-term loan of Rmb1,080 million (hereafter as “Bank Loan”) for the construction of production line. According to the loan agreement, the Company pledged its 50% equity interest in ANSC-TKS Dalian to secure the performance of the obligations of ANSC-TKS Dalian for the Bank Loan.

The Company’s obligation of providing security by pledge for the long term equity investment in ANSC-TKS Dalian was released in December 2007.

There were no material guarantees provided by the Company as at 31 December 2007.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year of 2007 will be held on Thursday, 12 June 2008. A notice convening the annual general meeting will be published and delivered to the H shareholders of Company in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in due course.

FINANCIAL STATEMENTS

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

The following is a summary of the audited results for the year ended 31 December 2007 extracted from the audited financial statements of the Company prepared in accordance with the IFRSs, together with comparative figures for corresponding period in 2006.

Income Statement

For the year ended 31 December 2007

	Note	**2007**	2006
			(restated)
		Rmb million	*Rmb million*
Turnover	4	**65,294**	54,283
Cost of sales		**(50,031)**	(41,470)
Sales related taxes		**(764)**	(370)
Gross profit		**14,499**	12,443
Other operating loss, net	5	**(218)**	(371)
Distribution and other operating expenses		**(1,598)**	(943)
Administrative expenses		**(1,626)**	(1,103)
Profit from operations		**11,057**	10,026
Net financing costs	6(a)	**(755)**	(685)
Share of profits less losses of associates		**3**	—
Share of profits of jointly controlled entities		**77**	47
Profit before taxation	6	**10,382**	9,388
Income tax expense	7	**(2,848)**	(2,294)
Profit for the year and attributable to equity shareholders of the Company		**7,534**	7,094

	Note	2007	2006
Dividends payable to equity shareholders of the Company attributable to the year			
Final dividend proposed after the balance sheet date	8	**3,979**	3,441
Earnings per share	9		
– Basic		**Rmb1.121**	Rmb1.074

Balance Sheet

At 31 December 2007

		2007	2006
			(restated)
	Note	***Rmb million***	*Rmb million*
Non-current assets			
Property, plant and equipment		**32,659**	32,411
Intangible assets		**22**	27
Construction in progress		**17,115**	8,257
Lease prepayments		**5,370**	5,465
Interests in jointly controlled entities		**825**	592
Interests in associates		**50**	49
Other investments		**281**	10
Deferred tax assets		**108**	112
		56,430	46,923
Current assets			
Inventories		**8,701**	7,036
Amounts due from fellow subsidiaries		**5,102**	865
Trade receivables	10	**6,495**	1,600
Prepayments, deposits and other receivables		**2,920**	348
Income tax recoverable		**—**	261
Cash and cash equivalents		**7,733**	1,480
		30,951	11,590

Current liabilities			
Trade payables	11	**2,718**	2,537
Amount due to ultimate holding company		**41**	16
Amounts due to fellow subsidiaries		**2,045**	1,049
Income tax payable		**102**	—
Other payables		**6,255**	4,158
Short-term bank loans		**7,326**	7,293
Current portion of long-term payable to ultimate holding company	12	**2,324**	2,324
		20,811	17,377
Net current assets/(liabilities)		**10,140**	(5,787)
Total assets less current liabilities		**66,570**	41,136
Non-current liabilities			
Bank loans		**12,297**	8,811
Long-term payable to ultimate holding company	12	**—**	2,324
Provisions		**146**	—
		12,443	11,135
NET ASSETS		**54,127**	30,001
CAPITAL AND RESERVES			
Share capital	13	**7,235**	5,933
Share premium		**31,414**	12,811
Reserves		**2,957**	2,076
Retained profits		**12,521**	9,181
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**54,127**	30,001

Statement of changes in equity

For the year ended 31 December 2007

	Note	Share capital *Rmb million*	Share premium *Rmb million*	Reserves *Rmb million*	Retained profits *Rmb million*	Total *Rmb million*
2006						
At 1 January 2006		2,963	3,058	1,392	3,838	11,251
Net profit for the year		—	—	—	7,094	7,094
Transfer between reserves		—	—	684	(684)	—
Issuance of A shares for the acquisition of Angang New Steel and Iron Co. Ltd. ("ANSI")		2,970	9,771	—	—	12,741
Expenses related to share issuance		—	(18)	—	—	(18)
Final dividend – 2005	8(b)	—	—	—	(1,067)	(1,067)
At 31 December 2006		5,933	12,811	2,076	9,181	30,001
2007						
At 1 January 2007		5,933	12,811	2,076	9,181	30,001
Net profit for the year		—	—	—	7,534	7,534
Issuance of share for rights issue		1,302	18,704	—	—	20,006
Expenses related to rights issue		—	(101)	—	—	(101)
Proposed transfer between reserves		—	—	753	(753)	—
Change in fair value of available-for-sale securities		—	—	143	—	143
Effect of change in deferred tax relating to revaluation surplus		—	—	(15)	—	(15)
Final dividend – 2006	8(b)	—	—	—	(3,441)	(3,441)
At 31 December 2007		7,235	31,414	2,957	12,521	54,127

Notes:

(1) Basis of preparation

The financial statements for the year ended 31 December 2007 comprise the Company and the Company's interest in associates and jointly controlled entities. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as available-for-sale are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(2) Changes in accounting policies

In prior years, in accordance with IAS 31, "Interest in joint ventures", the Company's interest in jointly controlled entities was accounted for using the proportionate consolidation method.

With effect from 1 January 2007, in order to provide better comparability with the financial statements of the Company prepared under Accounting Standards for Business Enterprises of the PRC, the Company has changed its accounting policy for its interest in jointly controlled entities.

Under the new policy, an alternative treatment accepted under IAS 31, "Interest in joint ventures", the Company's jointly controlled entities are accounted for using the equity method and are initially recognised at cost.

(3) Segment Reporting

The Company 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:

	2007	2006
		(restated)
	Rmb million	*Rmb million*
Turnover		
– The PRC	**51,383**	41,299
– Other countries	**13,911**	12,984
	65,294	54,283

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

(4) Turnover

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

(5) Other operating loss, net

	2007	2006
		(restated)
	Rmb million	*Rmb million*
Loss on disposals of property, plant and equipment	**(80)**	(282)
Impairment provision on property, plant and equipment	**(111)**	(118)
(Loss)/income from sales of scrap materials	**(51)**	6
Write-off of long outstanding accounts payable	**2**	1
Packaging materials income	**1**	1
Insurance compensation	**9**	8
Dividend income from other investment	**4**	3
Others	**8**	10
	(218)	(371)

(6) Profit before taxation

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

(a) Net financing costs:

	2007	2006
		(restated)
	Rmb million	*Rmb million*
Interest and other borrowing costs	**1,402**	944
Less: Amount capitalised as construction in progress *	**(682)**	(223)
Net interest expenses	**720**	721
Net exchange loss/(gain)	**59**	(24)
Interest income	**(27)**	(14)
Bank charges	**3**	2
	755	685

* The borrowing costs have been capitalised at an average rate of 5.99% (2006: 4.91%) per annum for construction in progress.

(b) Other items:

	2007	2006
		(restated)
	Rmb million	*Rmb million*
Auditors' remuneration	**9**	5
Cost of inventories	**50,031**	41,470
Depreciation	**4,142**	3,783
Amortisation of intangible assets	**5**	5
Amortisation of lease prepayments	**114**	114
Impairment losses		
— Fixed assets	**111**	118
— Trade receivables	**—**	4
— Inventories	**(12)**	39
Personnel costs		
— Salaries and wages, welfare and other costs	**1,708**	1,347
— Contributions to defined contribution scheme	**528**	344
Total personnel costs	**2,236**	1,691
Repairs and maintenance	**2,983**	2,003
Research and development costs	**21**	23

(7) Income tax

	2007	2006
		(restated)
	Rmb million	*Rmb million*
Current tax expense		
Provision for PRC income tax for the year	**2,907**	2,368
Deferred tax expense		
Origination and reversal of temporary differences	**(59)**	(74)
Total income tax expense in income statement	**2,848**	2,294

The provision for PRC income tax is based on a statutory rate of 33% (2006: 33%) of the assessable profits of the Company as determined in accordance with the relevant income tax rules and regulations of the PRC.

On 16 March 2007, the fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, the statutory income tax rate currently adopted by the Company has changed from 33% to 25% with effect from 1 January 2008. Pursuant to the grandfathering arrangement under the new tax law, the preferential policies enjoyed by the jointly controlled entities of the Company, which were established in high-tech zone, remain effective after the implementation of the new tax law until the preferential periods are expired. Currently, the jointly controlled entities are entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years or entitle a preferential income tax rates. The current preferential income tax rates will be gradually increased to the standard rate of 25% over a five-year transition period. The deferred tax assets and liabilities have been remeasured for the change in applicable tax rate as a result of the new tax law.

The reconciliation of income tax calculated at the Company's applicable tax rate with actual expense for the year is as follows:

	2007	2006
		(restated)
	Rmb million	*Rmb million*
Profit before taxation	**10,382**	9,388
Expected PRC income tax at a statutory tax rate of 33%	**3,426**	3,098
Non-taxable income	**(75)**	(183)
Non-deductible expenses	**112**	86
Additional deductions *	**(598)**	(544)
Tax credit *	**(17)**	(163)
	2,848	2,294

* Pursuant to relevant PRC tax regulations, the Company is entitled to claim additional deductions based on 50% of approved research and development costs and approved outputs from environmental protection facilities and a tax credit relating to purchases of equipment produced in the PRC for technological improvements.

(8) Dividends

(a) Dividends attributable to the year

	2007	2006
	Rmb million	*Rmb million*
Final dividend proposed after the balance sheet date of Rmb55 cents per share (2006: Rmb58 cents per share)	**3,979**	3,441

Pursuant to a resolution passed at the directors' meeting on 14 April 2008, a final dividend of Rmb55 cents (2006: Rmb58 cents) per share totalling Rmb3,979 million (2006: Rmb3,441 million) was approved for shareholders' approval at the Annual General Meeting.

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

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2007	2006
	Rmb million	*Rmb million*
Final dividends in respect of the previous financial year, approved and paid during the year, of Rmb58 cents per share (2006: Rmb36 cents per share)	**3,441**	1,067

(9) 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 Rmb7,534 million (2006 (restated): Rmb7,094 million) and a weighted average number of shares outstanding during the year of 6,721 million (2006 (restated): 6,606 million) calculated as follows:

Weighted average number of shares

(In millions of shares)	**2007**	2006 *(restated)*
Issued shares at 1 January	**5,933**	2,963
Effect of issuance of new shares related to acquisition of ANSI	**—**	2,970
Effect of rights issue	**788**	673
Weighted average number of shares at 31 December	**6,721**	6,606

(b) Diluted earnings per share

There were no dilutive potential equity shares in existence as at 31 December 2006 and 2007.

(10) Trade receivables

	2007	2006
		(restated)
	Rmb million	*Rmb million*
Accounts receivable	**412**	191
Bills receivable	**6,083**	1,409
	6,495	1,600

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

	2007	2006
		(restated)
	Rmb million	*Rmb million*
Less than 3 months	**4,652**	1,535
More than 3 months but less than 12 months	**1,839**	61
More than 1 year	**4**	4
	6,495	1,600

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

The Company had certain discounted and endorsed bills receivables (with recourse) outstanding at a carrying amount of Rmb443 million as at 31 December 2007. They are expected to expire before 30 June 2008.

(11) Trade payables

	2007	2006
		(restated)
	Rmb million	*Rmb million*
Accounts payable	**1,666**	1,199
Bills payable	**1,052**	1,338
	2,718	2,537

The ageing analysis of trade payables is as follows:

	2007	2006
		(restated)
	Rmb million	*Rmb million*
Due on demand	**154**	34
Due within 3 months	**2,200**	1,917
Due after 3 months but within 6 months	**364**	586
	2,718	2,537

(12) 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 ("Acquisition") from Anshan Iron & Steel Group Complex ("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 Rmb12.741 billion) to Angang Holding as a partial payment for the consideration of the Acquisition. The remaining balance of the purchase consideration amounted to Rmb6,971 million will be paid in three instalments and bears interest rates quoted by People's Bank of China for the same period. Up to 31 December 2007, the Company has repaid Rmb4,648 million. The last instalment of purchase consideration will be paid in 2008.

(13) Share capital

	2007		2006	
	Number of shares		Number of shares	
	million	***Rmb million***	*million*	*Rmb million*
Issued and fully paid:				
State-owned legal person shares of Rmb1 each				
At 1 January	**3,990**	**3,990**	1,131	1,131
Issuance of shares for rights issue *(note (a))*	**878**	**878**	—	—
Issuance of A shares for the acquisition of ANSI *(note (b))*	**—**	**—**	2,970	2,970
Decrease as a result of exercise of warrants *(note (c))*	**—**	**—**	(111)	(111)
As at 31 December	**4,868**	**4,868**	3,990	3,990
A shares of Rmb1 each				
At 1 January	**1,053**	**1,053**	942	942
Issuance of shares for rights issue *(note (a))*	**228**	**228**	—	—
Increase as a result of exercise of warrants *(note (c))*	**—**	**—**	111	111
As at 31 December	**1,281**	**1,281**	1,053	1,053
H shares of Rmb1 each				
At 1 January	**890**	**890**	890	890
Issuance of shares for rights issue *(note (a))*	**196**	**196**	—	—
As at 31 December	**1,086**	**1,086**	890	890
	7,235	**7,235**	5,933	5,933

Notes:

(a) As authorised by the documents "Notice Regarding Approval of Placement of Angang Steel Company Limited" (Zheng Jian Fa Xing Zi* [2007] No.313) and "Approval Reply Regarding Placement of Foreign Investors' Shares of Angang Steel Company Limited Listed Outside of the PRC" (Zheng Jian Guo He Zi* [2007] No.33 issued by the China Securities Regulatory Commission ("CSRC") on 24 September 2007 and 28 September 2007 respectively, the Company issued domestic rights shares and H rights shares ("Right Shares Issue") to all shareholders with the original 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 domestic shares and H shares is Rmb15.40 per share and HKD15.91 respectively. The entitlements to the Rights Shares under the Right Shares Issue represent a total of 1,301,822,150 shares, including 1,106,022,150 domestic shares, and the remaining 195,800,000 H shares.

The total subscription fund amounted to Rmb 20,006 million. Deducted by the issuance fee of Rmb 108 million and the capital interest of Rmb 7 million, the company received the net subscription fund of Rmb 19,905 million. This increased the paid-up capital and capital reserve by Rmb 1,302 million and Rmb 18,603 million respectively.

(b) In January 2006, 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 acquisition of ANSI . The share premium, net of the issuance costs of Rmb18 million, increased to Rmb9,753 million.

(c) In accordance with State-owned Share Reform Plan ("Reform Plan") of the Company, Angang Holding issued 113 million European-style warrants to A share shareholders registered as at the registration date of warrants implemented by the Reform Plan. Some warrant holders exercised their rights at the exercise date (5 December 2006), causing state-owned legal person shares and Renminbi ordinary shares to decrease and increase by 111 million shares respectively.

(d) All the state-owned legal person shares, A and H shares rank pari passu in all material respects.

(14) Non-adjusting post balance sheet events

The directors proposed a final dividend after the balance sheet date (see Note 8)

II. FINANCIAL STATEMENTS PREPARED UNDER THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES OF THE PRC ("PRC GAAP")

1. Audit Opinion

The Company's financial statements prepared under PRC GAAP have been audited by KPMG Huazhen. An audit report with an unqualified audit opinion was issued on 14 April 2008.

2. Balance Sheet

At 31 December 2007

Assets	**2007**	2006
	Rmb million	*Rmb million*
Current assets		
Cash at banks and on hand	**7,733**	1,480
Bills receivable	**6,083**	1,409
Accounts receivable	**932**	676
Prepayments	**6,600**	592
Other receivables	**66**	68
Inventories	**8,701**	7,036
Total current assets	**30,115**	11,261
Non-current assets		
Available-for-sale financial assets	**271**	—
Long-term equity investments	**885**	654
Fixed assets	**32,656**	32,400
Construction in progress	**17,115**	8,257
Intangible assets	**5,577**	5,681
Deferred tax assets	**167**	132
Total non-current assets	**56,671**	47,124
Total assets	**86,786**	58,385

Liabilities and shareholders' equity	**2007**	2006
	Rmb million	*Rmb million*
Current liabilities		
Short-term loans	**4,512**	4,580
Bills payable	**1,052**	1,338
Accounts payable	**1,908**	1,401
Advances from customers	**4,569**	3,230
Employee benefits payable	**310**	318
Taxes payable	**(251)**	(3)
Other payables	**2,737**	1,148
Non-current liabilities due within one year	**5,138**	5,037
Total current liabilities	**19,975**	17,049
Non-current liabilities		
Long-term loans	**12,297**	8,811
Long-term payables	**11**	2,324
Employee benefits payable more than one year	**146**	—
Deferred tax liabilities	**102**	78
Total non-current liabilities	**12,556**	11,213
Total liabilities	**32,531**	28,262
Shareholders' equity		
Share capital	**7,235**	5,933
Capital reserve	**31,593**	12,847
Surplus reserves	**2,981**	2,228
Retained earnings	**12,446**	9,115
Total shareholders' equity	**54,255**	30,123
Total liabilities and shareholders' equity	**86,786**	58,385

3. Income Statement

For the year ended 31 December 2007

	2007 **Rmb million**	2006 Rmb million
Operating income	**65,499**	54,330
Less: Operating costs	**48,346**	40,309
Business tax and surcharges	**764**	370
Selling expenses	**1,598**	943
Administrative expenses	**3,520**	2,254
Financial expenses	**755**	685
Impairment losses on assets	**147**	161
Add: Investment income	**81**	52
Including: Income from investment in jointly controlled enterprises and associates	**77**	49
Operating profit	**10,450**	9,660
Add: Non-operating income	**44**	11
Less: Non-operating expenses	**121**	290
Including: Loss from non-current assets disposal	**119**	289
Profit before income tax	**10,373**	9,381
Less: Income tax expense	**2,848**	2,378
Net profit for the year	**7,525**	7,003
Earnings per share		
Basic earnings per share	**Rmb1.120**	Rmb1.106
Diluted earnings per share	**Rmb1.120**	Rmb1.106

III. DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC GAAP AND IFRSs

(a) Effect of material differences between PRC GAAP and IFRSs on profit attributable to equity shareholders are set out as follows:

	Note	**2007** **Rmb million**	2006 (restated) Rmb million
Profit attributable to equity shareholders of the Company under PRC GAAP		**7,525**	7,003
Adjustments:			
Convertible debentures			
— Additional borrowing costs capitalised	(i)	**(7)**	—
Pre-operating expenses	(ii)	**3**	(3)
Lease prepayment amortised	(iii)	**5**	5
Write off of long outstanding accounts payable	(iv)	**—**	1
Receipt of government grant	(v)	**—**	3
Production safety expenses	(vi)	**11**	—
Deferred tax charge	(vii)	**(3)**	85
		9	91
Profit attributable to equity shareholders of the Company under IFRSs		**7,534**	7,094

(b) Effect of material differences between PRC GAAP and IFRSs on total equity attributable to equity shareholders are set out as follows:

	Note	**2007** **Rmb million**	2006 *(restated)* *Rmb million*
Total equity attributable to equity shareholders of the Company under PRC GAAP		**54,255**	30,123
Adjustments:			
Convertible debentures			
— Additional borrowing costs capitalised	(i)	**—**	7
Pre-operating expenses	(ii)	**—**	(3)
Revaluation of land use rights	(iii)	**(181)**	(186)
Production safety expenses	(vi)	**11**	—
Deferred tax	(vii)	**42**	60
		(128)	(122)
Total equity attributable to equity shareholders of the Company under IFRSs		**54,127**	30,001

Note:

(i) The amounts represent the different treatments on transaction costs and discount on convertible debentures between the IFRSs and the applicable PRC Accounting Rules and Regulations (the Old PRC Accounting Rules and Regulations) before 31 December 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 Old PRC Accounting Rules and Regulations before 31 December 2006, pre-operating expenses are capitalised in long-term deferred expenses before the commencement of operation and will be charged to expense in the first month of operation once and for all. After the adoption of the 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.

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

(iv) Under IFRSs, long outstanding accounts payable is recognised in the income statement for the current period. Under the Old PRC application Accounting Rules and Regulations before 31 December 2006, the write off of long outstanding accounts payable is credited to capital reserve. After the adoption of the New PRC Accounting Rules and Regulations on 1 January 2007, long outstanding accounts payable is recognised in the income statement for the current period, which is consistent with the accounting treatment of IFRSs.

(v) Under IFRSs, receipt of government grant is recognised as an income in the income statement. After the adoption of the New PRC Accounting Rules and Regulations on 1 January 2007, receipt of government grant is recognised in the income statement for the current period, which is consistent with the accounting treatment of IFRSs.

(vi) According to the document (Cai Qi* [2006] No. 478), entities involved in mining, construction, land transport and/or production of dangerous goods are required to accrue production safety expenses to the relevant period's income statement at fixed rates on production volume. Under IFRSs, expenses are recognised only when they are actually incurred.

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

As (i), (ii), (iv) and (v) and their relevant amounts of deferred tax are insignificant, and the above events do not create the difference in shareholders' equity between the financial statements for 2007 in accordance with the PRC Accounting Rules and Regulations and the IFRSs, the requirements of "Interpretation No.1" have not been applied retrospectively by restating the financial statements under the PRC Accounting Rules and Regulations.

By order of the Board
Fu Jihui
Secretary to the Board

Anshan City
Liaoning Province, the PRC
14 April 2008

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

* *for identification purpose only*