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)

2009 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB70,057 million
- Profit before tax amounted to RMB877 million
- Profit for the year attributable to shareholders of the Company amounted to RMB752 million
- Basic earnings per share amounted to RMB0.104 (2008: RMB0.414)
- Proposed final dividend of RMB0.06 per share (2008: RMB0.21 per share)

In this announcement, the following expressions shall have the following meanings unless the context indicates otherwise:

"Board"	the board of directors of the Company
"Company"	Angang Steel Company Limited*（鞍鋼股份有限公司）
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region)

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

Unit: RMB million

	2009	2008		2007	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Turnover	**70,057**	78,985	78,985	65,294	65,294
Profit before tax	**877**	3,847	3,847	10,382	10,382
Income tax	**166**	854	854	2,848	2,848
Profit for the year attributable to owners of the Company	**752**	2,993	2,993	7,534	7,534
Total assets	**103,126**	94,826	94,826	87,381	87,381
Total liabilities	**49,469**	41,855	41,855	33,254	33,254
Equity attributable to owners of the Company	**52,291**	52,971	52,971	54,127	54,127
Net assets per share *(RMB)*	**7.23**	7.32	7.32	7.48	7.48
Earnings per share (basic) *(RMB)*	**0.104**	0.414	0.414	1.121	1.121
Return on net assets *(%)*	**1.44**	5.65	5.65	13.92	13.92

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

1. Key accounting data of the Group for the year:

For the year ended 31 December 2009

Unit: RMB million

Items	**Amount**
Operating profit:	789
Total profit:	843
Net profit:	686
Net profit attributable to shareholders of the listed company:	727
Net profit less extraordinary items attributable to shareholders of the listed company:	688
Net cash flow generated from operating activities:	4,549
Investment income:	186
Net non-operating income and expenses:	54
Net increase/decrease in cash and cash equivalents:	(732)

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

No.	**Extraordinary items**	**Effect on profit** *(RMB million)*
1	Government subsidies (except for government subsidies which are closely related to the corporate business and entitled in standard amount or quantities in conformity with the uniform standards of the State) attributable to gains or losses for the period	15
2	Other non-operating income and expenses apart from those stated above	39
3	Sub-total	54
4	Less: Effect of income tax	14
5	Less: Effect of minority interests (after tax)	1
6	Total	39

2. Differences between the preparations under the PRC Accounting Standards and IFRSs:

Unit: RMB million

	The Group				Attributable to shareholders of the listed company			
	Net profit		Net assets		Net profit		Net assets	
	For the period	For the previous period	Closing balance	Opening balance	For the period	For the previous period	Closing balance	Opening balance
Under IFRSs	711	2,993	53,657	52,971	752	2,993	52,291	52,971
Under PRC Accounting Standards	686	2,981	53,798	53,108	727	2,981	52,432	53,108

Items and total amount as adjusted under the IFRSs:

Revaluation of land use rights	5	5	(171)	(176)	5	5	(171)	(176)
Production safety expenses	29	10			29	10		
Deferred income tax assets	(9)	(3)	30	39	(9)	(3)	30	39
Total adjustments	25	12	(141)	(137)	25	12	(141)	(137)

OPERATING RESULTS FOR 2009

Based on the IFRSs, the Group recorded an annual profit attributable to the shareholders of the Company of RMB752 million for the year ended 31 December 2009, representing a decrease of 74.87% from the previous year, and its basic weighted average earnings per share was RMB0.104.

Based on the PRC Accounting Standards, the Group recorded a net profit attributable to the shareholders of the Company of RMB727 million for the year ended 31 December 2009, representing a decrease of 75.61% from the previous year, and its basic earnings per share was RMB0.100.

PROFIT DISTRIBUTION

As audited and confirmed by RSM China Certified Public Accountants, the Group's net profit attributable to the shareholders of the Company for the year amounted to RMB727 million and as at the year end of 2009, the profit available for distribution to the shareholders of the Company was RMB10,280 million under the PRC Accounting Standards. The Board of the Company recommended a cash dividend of RMB0.06 per share (inclusive of tax) for 2009 based on the total share capital of 7,234,807,847 shares as at 31 December 2009 in accordance with the PRC regulations and the articles of association of the Company.

The proposal for distribution is subject to the consideration and approval of the shareholders of the Company at the annual general meeting for the year 2009. Subject to the approval, the Company will, according to the above proposal for distribution of dividend, distribute the final dividend to the H shareholders of the Company whose names appear on the register of H shareholders of the Company at the Hong Kong Registrars Limited at the close of business of the Hong Kong Stock Exchange on Tuesday, 18 May 2010. The register of the H shareholders of the Company will be closed from Wednesday, 19 May 2010 to Friday, 18 June 2010 (both days inclusive), during which no transfer of the H shares of the Company will be registered. To be qualified for the final dividend, all transfer of the H shares of the Company accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's H share registrar, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 18 May 2010.

According to the Enterprise Income Tax Law of the People's Republic of China and the Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China which came into effect from 1 January 2008, any Chinese domestic enterprise which pays dividend to a non-resident enterprise shareholder shall withhold and pay enterprise income tax at a rate of 10% for such shareholder. As a result, the Company will withhold enterprise income tax for 2009 dividend paid to non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations) at a rate of 10% at the time of distributing such dividend to the shareholders. The dividend after deduction of such taxation will be RMB0.054 per H share of the Company (for reference only).

BUSINESS REVIEW

1. Efficient production and operation

During the reporting period, the Group produced 20,510,000 tonnes of iron, 20,070,000 tonnes of steel and 19,000,000 tonnes of steel products, representing an increase of 27.56%, an increase of 25.46% and an increase of 26.79%, respectively, as compared with the previous year. Sales of steel products amounted to 18,620,000 tonnes, representing an increase of 22.23% as compared with the previous year and realizing a 98% production to sale ratio for steel products.

2. New achievements in energy saving and emission reduction

The Group implemented 14 pollution control projects, including the sintering flue gas desulphurization project at the west zone of the iron smelting plant (煉鐵總廠西區) during the year, with a total investment of RMB340 million. Meanwhile, the Group made progress in the promotion of utilisation of new energy at Bayuquan production base, including application of solar energy, seawater desalting and wind power generation.

There was no environmental accident at or above grade III for the year. Best-ever results were achieved in relation to the rate of atmospheric pollutant emission, total emission of water pollutants from factories and the utilisation rate of recyclable solid wastes.

3. Breakthroughs in scientific research innovation and new product development

The Group successfully conducted the trial production of finished oriented silicon steel roll (取向硅鋼成品卷) through independent R&D and attained the level of bulk production of high-grade silicon steel. Its ship plates of high heat input welding (大線能量焊接船板) was the first in the country to pass the certification of shipping societies from 5 countries (五國船級社認證), while its highest grade steel was the first of its kind in the country and a cutting-edge product in the world. Steel used for nuclear power generation facilities (核電用鋼) SA-738Gr.B successfully completed the first round of trial production and A588 steel used for nuclear module (核電模塊用鋼) passed trial production. Dual phase steel used for vehicle panels (汽車板雙相鋼) passed the result verification of the China Iron and Steel Association and became the first TRIP780 steel bulk supplier in the country. Our self-innovated shape control technology for cold rolled sheets (冷軋板形控制技術) passed the verification of experts in the country, attained world-class standard as a whole and brought an end to the long term monopoly of foreign countries in the use of technologies. A total of 4,608,000 tonnes of newly developed products were produced in the year, accounting for 24.6% of our products and contributed a total of RMB19,050 million to the sale revenue from new products.

4. Continued optimisation and adjustment of product mix

Low-alloy high-strength steel (低合金高強鋼), rephosphorized steel (含磷鋼) and steel used for automotive applications (汽車結構鋼) were promoted to manufacturers such as FAW Cars (一汽轎車) and Great Wall Motor (長城汽車). Sales volume of major products including steel for use in motorcar plates (汽車板), plates of home electrical appliances (家電板), flux cored welding wire (藥芯焊絲用鋼), cord thread (簾線用鋼), pipeline steel (管線鋼), medium and thick plates used for ship building (造船用中厚板) and heavy rails (重軌), also increased from last year. In 2009, the Company sold 1,670,000 tonnes of steel plates for automobiles manufacturing, 1,820,000 tonnes of steel plates for ship building and 780,000 tonnes of heavy rails. A total of 13,840,000 tonnes of specialized steel materials were sold during the year.

5. Improvement in marketing and procurement

The Company kept abreast of the changing needs of key industries and continued to enhance and maintain its strategic cooperation with leading enterprises engaged in relevant domestic industries, including China Petrochemical Corporation (中石化), China National Petroleum Corporation (中石油), China Shipbuilding Industry Corporation (中船重工), FAW (一汽), Gree (格力) and China North Rail (北車), and established direct supply relationship with enterprises including Qingdao Aucma (青島澳柯瑪), Advanced Technology & Materials Co., Ltd (安泰科技材料有限公司) and Tianjin Dayu Micro Oven (天津大宇微波爐).

The Company seized opportunities offered by the PRC government's stimulating policy in respect of domestic consumption and infrastructure construction and stepped up efforts to bid for key projects. Hence, the Company had won the bids for various key national projects, including No.2 Gas Pipeline and the Qinhuangdao-Shengyang Gas Pipeline of the West-East Gas Pipeline Project of China National Petroleum Corporation (中石油西氣東輸二線、秦沈線), the Yulin-Jinan Gas Pipeline Project of China Petrochemical Corporation (中石化榆濟線), the Congqi Bridge Project (崇啟大橋), the Daya Bay Storage Tank Project of China Petrochemical Corporation (中石化大亞灣儲罐) and the Xiluodu Hydropower Project (溪洛渡水電工程).

The Company proactively expanded its overseas markets and enhanced its international operation, as the result, it exported a total of 910,000 tonnes of steel products.

6. Continuous improvement of corporate management

The Company enhanced its performance assessment measures and established an all-round benchmarking management system which covered production and operation, technology and quality, equipment maintenance, finance cost and energy saving and consumption reduction.

The Company also effectively implemented the quality assessment system and continued to improve its quality performance. 66.87% of its products' physical quality reached international advanced standard during the year, representing an increase of 2.96 percentage points as compared with last year.

The Company was the first in the PRC iron and steel industry to control its budget on cost and expense with reference to the standard cost of SAP procedure and implemented full-scale quality and cost assessment system.

7. Overall attainment to designed production capacity and targets at Bayuquan production base

All of the blast furnaces, converters, continuous casting lines, 1,580mm hot rolling lines and heavy section rolling lines at the Bayuquan production base had attained to their production capacity and targets shortly within 10 months after commencement of production. It is able to produce a range of products that substantially covers its design outline. Such achievements at Bayuquan production base are notable in the way that it had attained to its designed production capacity and targets shortly after its commencement of operation. It produced a total of 5,280,000 tonnes of iron, 5,050,000 tonnes of steel and 4,350,000 tonnes of steel products during the year with industry-leading performance in terms of major technological and economic indicators.

PREPARED IN ACCORDANCE WITH THE IFRSs BY THE GROUP

Unit: RMB million

Item	**2009**	2008	Change *(%)*	Reason for change
Total assets	**103,126**	94,826	8.75	A
Non-current liabilities	**11,641**	17,706	(34.25)	B
Equity attributable to owners of the Company	**52,291**	52,971	(1.28)	C
Turnover	**70,057**	78,985	(11.30)	D
Gross profit	**4,153**	8,146	(49.02)	D
Profit for the year attributable to owners of the Company	**752**	2,993	(74.87)	D
Net increase in cash and cash equivalents	**(732)**	(4,759)	84.62	E

Notes:

A. The increase in total assets was mainly attributable to (1) the consolidation of financial statements of Angang Tian Tie, and (2) the increase in loans for working capital of the Group.

B. The decrease in non-current liabilities was mainly attributable to the transfer of long-term loans due within one year into non-current liabilities due within one year.

C. The decrease in equity attributable to owners of the Company was mainly due to: (1) the decrease of RMB767 million in retained profit (including: the increase of RMB752 million in net profit attributable to owners of the Company for the year, the decrease of RMB1,519 million for payment of dividend for 2008); (2) the increase in reserve of RMB87 million arising from change in fair value of available-for-sale financial assets.

D. The decrease in turnover, gross profit and profit for the year attributable to owners of the Company was mainly attributable to the falling steel product price.

E. The increase in net increase in cash and cash equivalents was mainly attributable to: (1) the decrease in net profit, the increase in operating receivables and the decrease in payables, resulting in a decrease of RMB7,860 million in net cash inflow from operating activities over last year; (2) the decrease of RMB10,739 million in net cash outflows from investing activities as compared with the previous year due to the decreased acquisition and construction of fixed assets and expenditures in construction in progress; and (3) the increase of RMB1,148 million in net cash inflow from financing activities as compared with the previous year due to the increase in cash received from borrowings and the decrease in cash payment for distribution of cash dividends in the year.

INVESTMENT OF THE COMPANY

(1) External investment

The Company's external investment for 2009 aggregated to RMB652 million, representing a decrease of 52.09% from RMB1,361 million last year.

In particular, the Company invested RMB432 million and RMB220 million, in Angang Tian Tie and Heilongjiang Longmay Mining Group Co., Ltd. respectively.

(2) Investment projects not funded by proceeds and the progress thereof

Unit: RMB million

Project name	Project budget amount	Project progress	Project proceeds
1,450mm cold rolling production line	2,900	100%	40.5
High-performance cold rolling silicon steel line	3,130	89%	—
Seamless φ 177 petroleum pipeline	817	88%	(22.23)
Wire production line renovation	776	41%	—
Total	7,623	—	18.27

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

As of 31 December 2009, the Company had 30,902 employees, of which 20,950 were production staff, 282 were sales staff, 2,898 were technicians, 282 were accounting staff and 1,256 were administration personnel. Of the Company's employees, 5,959 held bachelor or higher degrees, representing 19.28% of the total number of the employees; 7,606 held diplomas, representing 24.61% of the total number of the employees and 13,872 held the certificate of secondary education, representing 44.89% of the total number of the employees.

In 2009, 24,242 employee counts attended and completed centralized training course and 22,398 employees attended on-the-job training. 372 member counts of senior management attended training for, among others, political theory knowledge, strategy management, and 6,398 counts of management technology staff attended training for management knowledge, computer, English, expertise and studying in institutes and colleges. 9,779 production staff counts attended training for technical grades, computer, equipment inspection, security knowledge. 22,398 employee counts attended training for operating skills, 2,038 employees attended training for team and group management knowledge, 48 employees attended training for on-the-job studying for master's or doctor's degree and 5,607 employee counts attended other trainings. As a result of these trainings, the overall quality of employees had been improved, which enabled the Company to achieve production and operation targets.

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 2010

1. Iron and steel market analysis and opportunities and challenges for the Company

Year 2010 will be a critical year for the Company to become the most competitive iron and steel manufacturer in the international market.

From the positive perspective, the global economy has already passed its most difficult time. The Economic Work Conference of the PRC central government reiterated the importance of continuing implementation of proactive fiscal policies and moderately relaxed monetary policies. A relatively high level of fixed assets investment will be maintained. Reorganisations in the industry, including mergers and acquisitions, will improve the consolidation level and the overall structure of the iron and steel industry. The good development momentum maintained by downstream industries and the PRC government's policy to stimulate domestic demand will also facilitate to raise the demand for and consumption of the Company's products. From the perspective of the Company, with overall attainment of designed production and targets at its Bayuquan production base, its overall production and operation capacity have presented a more stable and positive outlook.

From the negative perspective, the global economy is still in the process of recovery and subject to many uncertainties. The continuous disequilibrium between demand and supply in the iron and steel market, increase in energy price and high price of imported iron ore have put great pressure on the production cost of iron and steel.

2. Operation plan of the Company for 2010

The guiding principles of the Company in 2010 are to study and implement the scientific development theory and strive for structural adjustment and market expansion, to make new contributions for the purpose of becoming a most competitive steel manufacturer in the international market and realization of overall and sustainable growth .

(1) To strengthen overall management and control and achieve a high level of production and operation.

(2) To strengthen scientific research in order to enhance corporate innovation.

(3) To enhance marketing efforts and increase market competitiveness.

(4) To strengthen energy saving and emission reduction to achieve a sustainable growth.

(5) To speed up the progress of capital investment projects and continue to upgrade production equipment and facilities.

(6) To promote innovative corporate management and achieve an overall management improvement.

(7) To expedite the development of the new district of Bayuquan and achieve a quantum leap of the new district.

3. Capital requirements, utilisation plan and funding sources for 2010

In 2010, the Company intended to earmark RMB7,741 million for safety, quality, energy-saving and environmental friendly initiatives as well as key construction projects such as the construction of high-performance silicon steel production lines, renovation of chemical plants and wire rod plants. In 2010, the Company intends to make an external investment of RMB1,803 million.

In 2010, the Company's capital requirements will be mainly financed by proceeds raised from the market, cash generated from operating activities and bank loans.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE OF THE GROUP (PREPARED IN ACCORDANCE WITH IFRSs)

As of 31 December 2009, the Group had long-term loans of RMB11,502 million (exclusive of loans due within one year) with interest rates ranging from 4.86% to 5.94% per annum. Under the terms of 3 to 25 years, the loans will expire in 2011 to 2030. The loans are mainly used for replenishing working capital and project capital. The Group's long-term loans due within one year amounted to RMB7,653 million. With good creditability and relatively high profitability of products, the Group will have sufficient cash to repay the existing liabilities falling due in the future.

As of 31 December 2009, the Group's cash and cash equivalents decreased by RMB732 million to RMB2,242 million from RMB2,974 million in the previous year, which was mainly attributable to (1) net cash inflow from operating activities of RMB2,971 million; (2) net cash outflow from investment activities of RMB5,240 million; (3) net cash inflow from financing activities of RMB1,537 million.

As at the end of 2009, the Group's total assets less current liabilities amounted to RMB65,298 million, compared with RMB70,677 million at the end of 2008.

The shareholders' equity of the Group amounted to RMB53,657 million at the end of 2009, compared with RMB52,971 million as at 31 December 2008.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2009, the Group had capital commitments of RMB3,082 million, which was primarily attributable to construction and renovation contracts entered into but not performed or performed partially and external investment contracts entered into but not performed or performed partially.

As at 31 December 2009, the Group did not have any contingent liabilities.

FOREIGN EXCHANGE RISK

The Group did not have a significant foreign currency risk exposure arising from its exported products and the import and procurement of raw materials for production and equipments for projects as the Group adopts locked exchange rates to settle the amounts with main export and import agents.

GEARING RATIO

Under the IFRSs, the ratio of the Group's shareholders' equity to liabilities in 2009 was 1.08 times (2008: 1.27 times).

MATERIAL LITIGATION AND ARBITRATION

The Group was not involved in any material litigation or arbitration in 2009.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the reporting period, there was no other purchase, sale or redemption by the Company or any of its subsidiaries of its listed 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 establishing good corporate governance practices and procedures and the strict implementation of such practices and procedures, in order to protect the interests of the shareholders and to maximise the investment return for the shareholders in the long term.

During the reporting period, the Company has been in compliance with all code provisions and most of the recommended best practices set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Hong Kong Listing Rules.

AUDIT COMMITTEE

The audit committee of the Board and the management of the Company have jointly reviewed the Group's accounting policies and the audited consolidated financial statements for the year ended 31 December 2009, and have discussed on the issues in relation to the auditing, internal control and financial statements of the Group.

MATERIAL GUARANTEE

There were no material guarantees provided by the Group as at 31 December 2009.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2009 will be held on Friday, 18 June 2010. A notice convening the annual general meeting and the annual report for 2009 of the Company will be published and delivered to the H shareholders of Company in the manner as required by the Hong Kong Listing Rules in due course.

FINANCIAL STATEMENTS

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

The following is a summary of the audited consolidated results for the year ended 31 December 2009 extracted from the audited consolidated financial statements of the Group prepared in accordance with the IFRSs, together with comparative figures for corresponding period in 2008.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	**2009** **RMB million**	2008 RMB million
Turnover	4	**70,057**	78,985
Cost of sales		**(65,721)**	(69,891)
Sales related taxes		**(183)**	(948)
Gross profit		**4,153**	8,146
Other operating profit/(loss), net	5	**103**	(31)
Distribution and other operating expenses		**(1,081)**	(1,687)
Administrative expenses		**(1,534)**	(1,884)
Profit from operations		**1,641**	4,544
Finance costs	7(a)	**(940)**	(777)
Share of profits less losses of jointly controlled entities		**88**	47
Share of profits less losses of associates		**88**	33
Profit before tax		**877**	3,847
Income tax expense	6	**(166)**	(854)
Profit for the year	7(b)	**711**	2,993
Attributable to:			
Owners of the Company		**752**	2,993
Minority interests		**(41)**	—
		711	2,993
Dividends to owners of the Company for the year	8		
Final dividend proposed after the end of the reporting period		**434**	1,519
Earnings per share	9		
— Basic		**RMB0.104**	RMB0.414

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	RMB million	*RMB million*
Profit for the year	**711**	2,993
Other comprehensive income:		
Fair value change on other investments	**116**	(226)
Income tax relating to component of other comprehensive income	**(29)**	56
Other comprehensive income for the year, net of tax	**87**	(170)
Total comprehensive income for the year	**798**	2,823
Attributable to:		
Owners of the Company	**839**	2,823
Minority interests	**(41)**	—
	798	2,823

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	Note	**2009**	2008
		RMB million	*RMB million*
Non-current assets			
Property, plant and equipment		**53,807**	43,256
Intangible assets		**13**	18
Construction in progress		**12,922**	18,789
Lease prepayments		**6,875**	6,563
Interests in jointly controlled entities		**934**	864
Interests in associates		**465**	1,388
Other investments		**391**	55
Deferred tax assets		**1,081**	1,093
		76,488	72,026
Current assets			
Inventories		**10,658**	10,372
Amount due from ultimate parent		**2**	97
Amounts due from fellow subsidiaries		**5,547**	2,576
Amount due from a jointly controlled entity		**98**	—
Amount due from an associate		**1**	—
Trade receivables	10	**4,145**	3,000
Prepayments, deposits and other receivables		**3,742**	2,796
Current tax assets		**203**	985
Cash and cash equivalents		**2,242**	2,974
		26,638	22,800

Current liabilities

Trade payables	11	**6,744**	7,805
Amount due to ultimate parent		**202**	11
Amounts due to fellow subsidiaries		**2,104**	2,087
Amounts due to jointly controlled entities		**373**	25
Amounts due to associates		**11**	42
Deferred income		**42**	—
Other payables		**6,989**	5,578
Current portion of bank loans		**21,363**	8,601
		37,828	24,149
Net current liabilities		**(11,190)**	(1,349)
Total assets less current liabilities carried forward		**65,298**	70,677

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	Note	**2009** **RMB million**	2008 RMB million
Total assets less current liabilities brought forward		**65,298**	70,677
Non-current liabilities			
Bank loans		**11,502**	17,565
Provisions		**65**	102
Deferred income		**74**	39
		11,641	17,706
NET ASSETS		**53,657**	52,971
CAPITAL AND RESERVES			
Share capital	12	**7,235**	7,235
Share premium		**31,414**	31,414
Reserves		**3,300**	3,107
Retained profits		**10,342**	11,215
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**52,291**	52,971
Minority interests		**1,366**	—
TOTAL EQUITY		**53,657**	52,971

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Reserves**	**Retained profits**	**Total**	**Minority interests**	**Total equity**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB Million*
At 1 January 2008	7,235	31,414	2,968	12,510	54,127	—	54,127
Total comprehensive income for the year	—	—	(170)	2,993	2,823	—	2,823
Proposed transfer between reserves	—	—	309	(309)	—	—	—
Final dividend — 2007	—	—	—	(3,979)	(3,979)	—	(3,979)
At 31 December 2008	7,235	31,414	3,107	11,215	52,971	—	52,971
At 1 January 2009	7,235	31,414	3,107	11,215	52,971	—	52,971
Total comprehensive income for the year	—	—	87	752	839	(41)	798
Acquisition of a subsidiary	—	—	—	—	—	1,407	1,407
Proposed transfer between reserves	—	—	106	(106)	—	—	—
Final dividend — 2008	—	—	—	(1,519)	(1,519)	—	(1,519)
At 31 December 2009	7,235	31,414	3,300	10,342	52,291	1,366	53,657

NOTES:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Hong Kong Listing Rules.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of other investments which are carried at their fair values.

2. ADOPTION OF NEW AND REVISED IFRSs

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(a) Presentation of Financial Statements

IAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. IAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. IAS 1 (Revised) has been applied retrospectively.

(b) Operating Segments

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, IAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under IAS 14 are the same as the segments reported under IFRS 8. IFRS 8 has been applied retrospectively.

The segment accounting policies under IFRS 8 are stated in note 3.

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

3. SEGMENT INFORMATION

The Group's revenue and trading result are generated from production and sales of steel products and therefore no other reportable segments analysis of the Group is presented.

Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties and investments. Segment liabilities do not include amounts due to related parties, tax liabilities, corporate borrowings, convertible loans and derivative instruments. Segment non-current assets do not include deferred tax assets.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit or loss, assets and liabilities:

	2009	2008
	RMB million	*RMB million*
Year ended 31 December		
Revenue from external customers	**70,057**	78,985
Segment profit	**701**	2,977
Interest revenue	**16**	37
Interest expense	**929**	769
Depreciation and amortisation	**6,269**	4,779
Other material items of income and expense:		
Insurance compensation received	**15**	11
Share of profits less losses of associates	**88**	33
Share of profits less losses of jointly controlled entities	**88**	47
Income tax expense	**166**	854
Other material non-cash items:		
Impairment of assets	**6**	64
Allowance of inventories	**677**	2,042
Additions to segment non-current assets	**7,471**	18,489

As at 31 December

Segment assets	**96,006**	91,005
Segment liabilities	**13,914**	13,524
Interests in associates	**465**	1,388
Interests in jointly controlled entities	**934**	864

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2009	2008
	RMB million	*RMB million*
Revenue		
Total revenue of reportable segments and consolidated revenue	**70,057**	78,985
Profit or loss		
Total profit or loss of reportable segments	**701**	2,977
Dividend income from other investments	**10**	16
Consolidated profit for the year	**711**	2,993
Assets		
Total assets of reportable segments	**96,006**	91,005
Other assets	**6,729**	3,766
Investments	**391**	55
Consolidated total assets	**103,126**	94,826

Liabilities		
Total liabilities of reportable segments	**13,914**	13,524
Other liabilities	**35,555**	28,331
Consolidated total liabilities	**49,469**	41,855
Other material items		
Impairment of assets	**6**	64
Allowance of inventories	**677**	2,042
Depreciation and amortisation	**6,269**	4,779
Interest expenses	**929**	769
Insurance compensation received	**15**	11
Additions of construction in progress	**7,232**	17,137

Geographical information:

	2009	2008
	RMB million	*RMB million*
Revenue		
— The PRC	**66,548**	65,098
— Other countries	**3,509**	13,887
	70,057	78,985

In presenting the geographical information, revenue is based on the locations of the customers. All of the Group's non-current assets are located in the PRC.

Revenue from major customers:

	2009	2008
	RMB million	*RMB million*
Customer A	**5,694**	3,668
Customer B	**4,895**	6,112
Customer C	**1,720**	2,016

4. TURNOVER

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

5. OTHER OPERATING PROFIT/(LOSS), NET

	2009	2008
	RMB million	*RMB million*
Loss on disposals of property, plant and equipment	**(3)**	(46)
Impairment losses on property, plant and equipment	**(6)**	(64)
Loss from sales of raw and scrap materials	**(10)**	(72)
Net exchange gain	**5**	46
Interest income	**16**	37
Government grant	**15**	9
Written back of long outstanding accounts payables	**6**	—
Written back of long outstanding other payables	**29**	—
Insurance compensation	**15**	11
Dividend income from other investments	**10**	16
Others	**26**	32
	103	(31)

6. INCOME TAX

Income tax expense in the income statement

	2009	2008
	RMB million	*RMB million*
Current tax expense		
— Provision for PRC enterprise income tax for the year	**1**	1,783
Deferred tax expense	**165**	(929)
	166	854

The provision for PRC enterprise income tax is based on a statutory rate of 25 % (2008: 25%) of the estimated assessable profits of the Group entities as determined in accordance with the relevant income tax rules and regulations of the PRC.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC enterprise income tax rate is as follows:

	2009	2008
	RMB million	*RMB million*
Profit before tax	**877**	3,847
Tax at a statutory tax rate of 25% (2008: 25%)	**219**	961
Tax effect of non-taxable income	**(46)**	(45)
Tax effect of non-deductible expenses	**56**	10
Additional deduction*	**(63)**	(72)
	166	854

* Pursuant to relevant PRC tax regulations, the Group is entitled to claim an additional deduction based on 50% of approved costs related to research and development.

7. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

(a) Finance costs

	2009	2008
	RMB million	*RMB million*
Interest and other borrowing costs	**1,613**	1,553
Less: Amount capitalised as construction in progress*	**(684)**	(784)
Net interest expenses	**929**	769
Bank charges	**4**	4
Others	**7**	4
	940	777

* The borrowing costs on funds borrowed generally have been capitalised at an average rate of 4.72 % (2008: 6.33%) per annum for construction in progress.

(b) Other items

	2009	2008
	RMB million	*RMB million*
Auditors' remuneration	**6**	6
Cost of inventories sold	**65,721**	69,891
Depreciation	**6,264**	4,775
Amortisation of intangible assets (included in administrative expenses)	**5**	4
Amortisation of lease prepayments	**143**	135
Impairment losses on property, plant and equipment (included in other operating profit/(loss), net)	**6**	64
Net allowance for inventories	**677**	1,929
Staff costs		
— Salaries and wages, welfare and other costs	**1,840**	1,933
— Contributions to defined contribution scheme	**656**	633
Repairs and maintenance	**2,885**	3,401
Research and development costs	**10**	25

8. DIVIDENDS

Dividend for the year

	2009	2008
	RMB million	*RMB million*
Final dividend proposed after the end of the reporting period of RMB0.06 per share (2008: RMB0.21 per share)	**434**	1,519

Pursuant to a resolution passed at the directors' meeting on 19 April 2010, a final dividend of RMB0.06 (2008: RMB0.21) per share totalling RMB434 million (2008: RMB1,519 million) was approved for shareholders' approval at the forthcoming annual general meeting.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Pursuant to the PRC Enterprise Income Tax Law, the Company is required to withhold 10% PRC enterprise income tax when it distributes dividends to its non-PRC resident enterprise shareholders.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of RMB752 million (2008: RMB2,993 million) and the weighted average number of shares of 7,235 million in issue during the year (2008: 7,235 million).

(b) Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential equity shares in existence during the two years ended 31 December 2009.

10. TRADE RECEIVABLES

	2009	2008
	RMB million	*RMB million*
Accounts receivables	**749**	417
Bills receivables	**3,396**	2,583
	4,145	3,000

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

	2009	2008
	RMB million	*RMB million*
Less than 3 months	**3,465**	2,386
More than 3 months but less than 12 months	**674**	610
More than 1 year	**6**	4
	4,145	3,000

As of 31 December 2009, trade receivables of RMB17 million (2008: RMB48 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009	2008
	RMB million	*RMB million*
Less than 3 months	**7**	44
More than 3 months but less than 12 months	**4**	—
More than 1 year	**6**	4
	17	48

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

11. TRADE PAYABLES

	2009	2008
	RMB million	*RMB million*
Accounts payables	**3,235**	3,220
Bills payables	**3,509**	4,585
	6,744	7,805

The ageing analysis of trade payables is as follows:

	2009	2008
	RMB million	*RMB million*
Due on demand	**237**	751
Due within 3 months	**4,133**	7,054
Due after 3 months but within 6 months	**2,020**	—
Due after 6 months but within 1 year	**344**	—
Due after 1 year but within 2 years	**10**	—
	6,744	7,805

12. SHARE CAPITAL

	2009		2008	
	Number of shares million	***RMB million***	*Number of shares million*	*RMB million*
Issued and fully paid:				
State-owned legal person shares of RMB1 each				
At 1 January	**4,869**	**4,869**	4,868	4,868
Transfer *(note (a))*	**—**	**—**	1	1
As at 31 December	**4,869**	**4,869**	4,869	4,869
A shares of RMB1 each				
At 1 January	**1,280**	**1,280**	1,281	1,281
Transfer *(note (a))*	**—**	**—**	(1)	(1)
As at 31 December	**1,280**	**1,280**	1,280	1,280
H shares of RMB1 each				
At 1 January and 31 December	**1,086**	**1,086**	1,086	1,086
	7,235	**7,235**	7,235	7,235

Notes:

(a) During the year ended 31 December 2008, the ultimate parent acquired additional 1,000,000 A shares of RMB1 each of the Company from the public.

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

II. FINANCIAL STATEMENTS PREPARED UNDER THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

1. Audit Opinion

The consolidated financial statements prepared under the PRC Accounting Standards for Business Enterprises of the Group had been audited by RSM China Certified Public Accountants who issued an auditor's report with an unqualified audit opinion on 19 April 2010.

Consolidated Balance Sheet

As at 31 December 2009

Assets	2009 RMB million	2008 RMB million
Current assets:		
Cash at banks and on hand	**2,242**	2,974
Trading financial assets		
Bills receivable	**3,396**	2,583
Accounts receivable	**1,770**	1,235
Prepayments	**6,212**	2,731
Interest receivable		
Other receivables	**19**	78
Inventories	**10,658**	10,372
Non-current assets due within 1 year		
Other current assets		
Total current assets	**24,297**	19,973

Non-current assets:		
Available-for-sale financial assets	**161**	45
Long-term equity investments	**1,629**	2,262
Investment real estate		
Fixed assets	**53,805**	43,252
Construction in progress	**10,588**	12,547
Construction material	**2,334**	6,242
Intangible assets	**7,061**	6,761
Deferred income tax assets	**1,112**	1,102
Other non-current assets		
Total non-current assets	**76,690**	72,211
Total assets	**100,987**	92,184

Liabilities and shareholders' equity	**2009**	2008
	RMB million	*RMB million*
Current liabilities:		
Short-term loans	**13,710**	7,570
Bills payable	**3,509**	4,585
Accounts payable	**3,318**	3,427
Advances from customers	**5,942**	3,629
Employee benefits payable	**326**	329
Tax and surcharges payable	**(2,296)**	(2,771)
Other payables	**3,283**	3,523
Non-current liabilities due within 1 year	**7,653**	1,031
Other current liabilities	**42**	
Total current liabilities	**35,487**	21,323

Non-current liabilities:		
Long-term loans	**11,502**	17,565
Deferred income tax liabilities	**61**	47
Other non-current liabilities	**139**	141
Total non-current liabilities	**11,702**	17,753
Total liabilities	**47,189**	39,076
Shareholders' equity:		
Share capital	**7,235**	7,235
Capital reserve	**31,510**	31,423
Special reserve	**50**	21
Surplus reserve	**3,357**	3,280
Undistributed profit	**10,280**	11,149
Differences from translation of foreign currency		
Subtotal of shareholders' equity attributable to parent company	**52,432**	53,108
Minority interest	**1,366**	
Total shareholders' equity	**53,798**	53,108
Total liabilities and shareholders' equity	**100,987**	92,184

Consolidated Income Statement

For the year ended 31 December 2009

Items		**2009** *RMB million*	2008 *RMB million*
1.	**Total operating income**	**70,126**	79,616
	Including: Operating income from main business	**70,126**	79,616
2.	**Total operating costs**	**69,523**	75,844
	Including: Operating costs for main business	**63,712**	66,611
	Business tax and surcharges	**183**	948
	Sale expenses	**1,081**	1,687
	Administrative expenses	**2,962**	3,798
	Financial expenses	**902**	694
	Impairment losses on assets	**683**	2,106
	Add: gains/losses from fair value variation (“-”) means loss		
	Investment income (“-”) means loss	**186**	96
	Including: Income from investment in jointly controlled enterprises and associates	**176**	80
3.	**Operating profit (“-”) means loss**	**789**	3,868
	Add: Non-operating income	**93**	33
	Less: Non-operating expenses	**39**	69
	Including: Loss on non-current assets disposal	**39**	63

4.	**Profit before income tax ("-") means loss**	**843**	3,832
	Less: Income tax expenses	**157**	851
5.	**Net profit for the year ("-") means net loss**	**686**	2,981
	Net profit attributable to owners of parent company	**727**	2,981
	Gains/losses attributable to minority shareholders	**(41)**	
6.	**Earning per share**		
	(1) Basic earnings per share	**0.100**	0.412
	(2) Diluted earnings per share	**0.100**	0.412
7.	**Other comprehensive income**	**87**	(170)
8.	**Total comprehensive income**	**773**	2,811
	Share of total comprehensive income attributable to owners of parent company	**814**	2,811
	Share of total comprehensive income attributable to minority shareholders	**(41)**	

III. DIFFERENCES BETWEEN FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES IN THE PRC ("PRC ACCOUNTING STANDARDS")

THE DIFFERENCE BETWEEN IFRSs AND PRC ACCOUNTING STANDARDS

Unit: RMB million

		The Group				Attributable to owners of the Company			
		Net profit		Equity		Net profit		Equity	
	Note	2009	2008	2009	2008	2009	2008	2009	2008
Under IFRSs		711	2,993	53,657	52,971	752	2,993	52,291	52,971
Adjustment:									
— Revaluation of land use right	(i)	(5)	(5)	171	176	(5)	(5)	171	176
— Production safety expenses	(ii)	(29)	(10)	—	—	(29)	(10)	—	—
— Deferred tax assets	(iii)	9	3	(30)	(39)	9	3	(30)	(39)
Under PRC Accounting Standards		686	2,981	53,798	53,108	727	2,981	52,432	53,108

Note:

(i) Under the PRC Accounting Rules and Regulations before 31 December 2006, 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.

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

(iii) According to the above adjustments made in (i) and (ii), income tax is recognised by liability method under IFRSs, whereas deferred tax assets are provided.

By Order of the Board
ANGANG STEEL COMPANY LIMITED
Fu Jihui
Executive Director and Company Secretary

Anshan City, Liaoning Province, the PRC
19 April 2010

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

Executive Directors:
Zhang Xiaogang
Yang Hua
Chen Ming
Yu Wanyuan
Fu Jihui

Independent Non-Executive Directors:
Li Shijun
Ma Guoqiang
Liu Wei
Kwong Chi Kit, Victor

* *For identification purposes only*