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)

2011 INTERIM RESULTS ANNOUNCEMENT

Important: The board of directors (the "Board"), the supervisory committee (the "Supervisory Committee"), the directors, the supervisors and the senior management of Angang Steel Company Limited* (鞍鋼股份有限公司) (the "Company") confirm that there are no false representation or misleading statements contained in, or material omissions from, this report, and jointly and severally take responsibilities for the truthfulness, accuracy and completeness of the contents contained herein.

The Board of the Company is pleased to announce the unaudited results of the Company and subsidiaries under its control (collectively, the "Group") for the six months ended 30 June 2011 together with the comparative figures as stated herein.

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

"Angang Holding"	Anshan Iron and Steel Group Complex*
"CSRC"	China Securities Regulatory Commission
"IFRSs"	the International Financial Reporting Standards

"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"PRC Accounting Standards"	the PRC Accounting Standards for Business Enterprises

I. COMPANY PROFILE

1.	Legal Name of the Company		
	(in Chinese)	:	鞍鋼股份有限公司
	(in English)	:	ANGANG STEEL COMPANY LIMITED*
2.	Registered and Business Address of the Company	:	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the People's Republic of China (the "PRC")
	Postal Code	:	114021
	Website	:	http://www.ansteel.com.cn
	E-mail	:	ansteel@ansteel.com.cn
3.	Legal Representative of the Company	:	Mr. Zhang Xiaogang
4.	Secretary to the Board of the Company	:	Mr. Fu Jihui
	Correspondence Address	:	1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC
	Telephone	:	(86) 412-8419192, 8417273
	Fax	:	(86) 412-6727772
	E-mail	:	ansteel@ansteel.com.cn

5.	Company's Designated PRC Newspapers for Disclosure of Information	:	China Securities Journal, Securities Times
	Website for Publication of Interim Report Designated by CSRC	:	http://www.cninfo.com.cn
	Website for Disclosure of the Company's Information in Hong Kong	:	http://www.hkex.com.hk and http://angang.wspr.com.hk
	Company's Interim Report Available at	:	1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC
6.	Stock Exchange Listings	:	A shares: Shenzhen Stock Exchange H shares: Hong Kong Stock Exchange
7.	Abbreviation of the Company's stock name and Stock Code	:	A shares: Angang Steel 000898 H shares: Angang Steel 0347
8.	The subsidiaries under the Company's control	:	As at 30 June 2011, the Company controlled the following subsidiaries, namely Angang Steel Logistics (Wuhan) Company Limited* (鞍鋼鋼材配送(武漢)有限公司), Tianjin Angang Tian Tie Cold Rolled Sheets Company Limited* (天津鞍鋼天鐵冷軋薄板有限公司), Angang Cold Rolled Steel Plate (Putian) Co., Ltd.*(鞍鋼冷軋鋼板(莆田)有限公司) and Angang Steel Materials Delivery (Hefei) Co., Ltd.* (鞍鋼鋼材配送(合肥)有限公司).

II. MAJOR FINANCIAL DATA AND INDICES (UNAUDITED)

1. Major financial data

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Unit: RMB million

	For the six months ended 30 June	
Items	**2011**	2010
Profit attributable to owners of the Company	**236**	2,767
Earnings per share (basic)*(RMB)*	**0.033**	0.382
Return on net assets (weighted average)	**0.44%**	5.14%

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

PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS

Unit: RMB million

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

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

Extraordinary items:

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

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

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

Unit: RMB million

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

3. **Return on net assets and earnings per share for the six months ended 30 June 2011 as calculated in accordance with the "Regulations for Preparation and Reporting of Information Disclosure by Listed Companies (No. 9)" issued by CSRC:**

	Return on net assets *(%)*		**Earnings per share** *(RMB/share)*	
Profit for the reporting period	**Fully diluted**	**Weighted average**	**Basic**	**Diluted**
Net profit attributable to holders of ordinary shares of the Company	0.41	0.41	0.030	0.030
Net profit less extraordinary items attributable to holders of ordinary shares of the Company	0.30	0.29	0.022	0.022

III. MANAGEMENT DISCUSSION AND ANALYSIS

1. Business review:

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

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

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

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

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

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

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

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

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

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

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

(4) Maximizing profit under a market-oriented strategy

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

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

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

The overall wire rod renovation project is under operation. The Group had achieved a steady progress in the projects including chemical tar capacity expansion, coal-based gas production and Phase IV coke oven renovation.

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

(6) *Enhancing corporate management*

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

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

2. **Products representing more than 10% of the operating revenue of the Group are as follows (in accordance with the PRC Accounting Standards):**

Principal business of the Group by industry and products

Unit: RMB million

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

Including: The connected transactions for sales of products and provision of labour services by the Company to its controlling shareholder and its subsidiaries amounted to RMB4,407 million in total during the reporting period.

Notes:

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

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

Segmental information of principal business of the Group by geographical locations of sales

Unit: RMB million

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

3. Problems and difficulties in operation

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

4. Investment of the Company

(1) External Investments

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

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

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

Unit: RMB million

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

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

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

7. **No substantial change as compared with the previous year in profit composition.**

8. Analysis of Financial Condition of the Group

Prepared in accordance with IFRSs (unaudited)

(1) Items of condensed consolidated income statement and condensed consolidated statement of cash flows

Unit: RMB million

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

Notes:

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

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

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

(2) Items of condensed consolidated statement of financial position

Unit: RMB million

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

Notes:

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

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

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

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

9. Business plan for the second half of the year

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

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

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

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

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

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

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

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

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

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

11. Pledged assets

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

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

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

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

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

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

14. Foreign exchange risk

The Group was not exposed to significant foreign currency risk arising from major transactions conducted through foreign currencies such as the export and sale of products, the import and procurement of raw materials for production and equipments for projects as these transactions were settled with export and import agents at locked exchange rates.

15. Employees

As at 30 June 2011, the Company had 29,316 employees, of whom 20,144 were production personnel, 252 were sales personnel, 3,067 were technicians, 272 were accounting personnel and 2,127 were administration personnel. Among the employees of the Company, 6,536 held bachelor or higher degrees, representing 22.3% of the total number of employees; 7,366 employees held diplomas, representing 25.1% of the total number of employees and 11,906 employees held the certificate of secondary education, representing 40.6% of the total number of employees.

The Company has adopted position-based and risk-based annual remuneration packages for senior management, position-based remuneration packages and profit share incentives for new product development for technical research personnel, sales/profit-linked remuneration package for sales personnel, and position-based remuneration packages for other personnel.

In the first half of 2011, 18,691 employees were arranged to attend and complete the centralized training course and 22,510 employees attended on-the-job training. Among them, 212 senior management members attended training for, among others, political theory and strategy management, 3,705 management technology staff attended training for management knowledge, computer, English, specific technology and studying in institutes and colleges; 6,835 production staff attended training for technical grades, computer, equipment inspection and security knowledge; 1,744 employees attended training for team and group management knowledge and 6,195 employees attended other trainings.

As a result of a series of trainings, the overall quality of employees had been improved, which guarantees a smooth implementation of production, operation and technological transformation for the Company.

IV. EXPLANATIONS ON SIGNIFICANT MATTERS

1. Corporate governance of the Company

In strict compliance with the Company Law, the Securities Law, the relevant requirements of CSRC, Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, the Corporate Governance Guideline of Listed Companies and the Guidelines for the Internal Control of Listed Companies of the Shenzhen Stock Exchange, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system.

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

2. Proposals for proposed interim profit distribution and transfer from capital reserve to share capital of the Company

The Company will not declare any interim dividend nor transfer any capital reserves to the share capital of the Company for the six months ended 30 June 2011.

3. Implementation of profit distribution plan

On 30 May 2011, the Company convened its 2010 annual general meeting in Anshan, at which the 2010 profit distribution plan was considered and approved. Pursuant to the 2010 profit distribution plan, a cash dividend of RMB1.5 per 10 shares was declared based on the total issued share capital of 7,234,807,847 shares. On 21 June 2011, the Company distributed cash dividends to the holders of its H shares. The exchange rate adopted was HK$100 to RMB83.506, being the average of the basic exchange rates of Renminbi to Hong Kong dollar announced by the Bank of China one calendar week prior to the 2010 annual general meeting. The cash dividends actually paid to the holders of its H shares amounted to HK$195 million. On 21 June 2011, the Company distributed cash dividends to the holders of circulating A shares and state-owned shares in the total amount of RMB922 million. The cash dividends for 2010 distributed by the Company amounted to RMB1,085 million in total.

4. Material litigation and arbitration

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

5. Material acquisition, sale or disposal of assets

During the reporting period, the Company had no material assets acquisition, disposal and reorganization.

6. Material connected transactions of the Company in the reporting period

(1) Continuing connected transactions

During the reporting period, the Group purchased most of its raw materials, energy and services necessary for production from Anshan Iron & Steel Group Complex* and its subsidiaries ("Angang Holding Group"), and sold to Angang Holding Group some of its products. The transactions and prices were conducted in accordance with the supply of raw materials and services agreements entered into between the parties.

a. Angang Holding Group provided the Group with the following major items:

Items	Pricing principle	Price	Amount	As a percentage of the amount of similar transactions
		(RMB)	*(RMB million)*	*(%)*
Iron concentrate	Not higher than the average import price of domestic iron concentrate reported to the PRC customs in the preceding half-year reporting period plus the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the trade of the iron concentrate which was based on the average weighted grade of the iron concentrate imported by the Company in the preceding half year before adjustment. For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/tonne. Anshan Iron & Steel Group Complex* has undertaken to provide a discount equal to 5% of the average import price of domestic iron concentrate reported to the PRC customs in the preceding half-year reporting period on the highest amount of the price determined.	922/tonne	3,031	25.87

Items	Pricing principle	Price	Amount	As a percentage of the amount of similar transactions
		(RMB)	*(RMB million)*	*(%)*
Pellet	Based on the average price of pellets purchased by the Company from independent third parties in the preceding half-year reporting period. For every 1 percentage point of increase or decrease in the grade of pellets, the price will be increased or decreased by RMB10/tonne.	1,183/tonne	3,829	100.00
Sinter ore	The price of iron concentrate plus processing cost in the preceding half-year reporting period and 10% gross profit margin. (The processing cost of which is not higher than that of similar products produced by the Company)	1,050/tonne	1,481	100.00
Scrap steel	Market prices	—	141	27.14
Billets	Market prices	—	180	100.00
Sub-total	—	—	8,662	48.87
Electricity	State price	0.52/kWh	825	35.81
Water	State price	3.25/tonne	43	7.55

Items	Pricing principle	Price	Amount	As a percentage of the amount of similar transactions
		(RMB)	*(RMB million)*	*(%)*
Steam	Production cost plus a gross profit margin of 5%	46.57/GJ	27	100.00
Sub-total	—	—	895	30.80
Lime stone	Not higher than the selling prices quoted by the relevant member company of Angang Holding Group to the independent third parties	53/tonne	75	68.77
Lime powder		388/tonne	404	91.80
Refractory material		—	26	3.18
Other ancillary materials		—	110	4.04
Spare parts		—	145	9.43
Sub-total	—	—	760	13.52
Total	—	—	10,317	—

b. Angang Holding Group provided the Group with the following major services:

Items	Pricing principle	Amount	As a percentage of the amount of similar transactions
		(RMB million)	*(%)*
Railway transportation	State price	320	52.83
Road transportation	Market prices	225	83.86
Agency services: — Import of raw materials, equipment, components and auxiliary materials — Product export — Domestic sales of product	Commission not higher than 1.5% (not more than the commissions levied by major state import and export companies of China)	194	100.00
Repair and maintenance of equipment	Market prices	544	71.34
Design and engineering services		1,004	42.01
Education facilities, vocational education, on-the-job training, translation services		0.4	11.76
Company vehicle services		0.5	100.00
Charge for arrangement of business and meeting expenses		1	50.03

Items	Pricing principle	Amount	As a percentage of the amount of similar transactions
		(RMB million)	*(%)*
Greening services	Expenses of labour, materials and management were paid based on market prices	7	100.00
Security services		19	76.22
Newspaper and other publications	State price	0.1	11.67
Telecommunication business and services, information system	State price or depreciation plus maintenance costs	12	70.49
Environmental protection and security inspection services	State price	1	80.30
Production coordination and maintenance	Expenses of labour, materials and management were paid based on market prices	576	75.89
Welfare assistance and maintenance		71	69.27
Total	—	2,975	57.36

Items	Pricing principle	Amount	As a percentage of the amount of similar transactions
		(RMB million)	*(%)*
Interest on fund for settlement	State price	7	88.53
Loans and discounted interest	State price	138	19.89
Interest on entrusted loans	Not higher than the interest rate obtained by Angang Holding Group from commercial banks during the same period	4	100.00

Note: In which, for the six months ended 30 June 2011, the steel products provided by Angang Trade as an agent for domestic sales and exports sales amounted to 2,580,000 and 840,000 tonnes respectively.

c. The Group provided Angang Holding Group with the following major items:

Items	Pricing principle	Price *(RMB)*	Amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*
Cold rolled sheets	The selling price charged by the Group to the independent third parties; For provision of aforesaid products for the development of new products for the other party, the price is based on the market price if the market price exists; If the market price is absent, the price is based on the principle of the cost plus a reasonable profit, while the reasonable profit rate is not higher than the average gross profit margin of related products provided by the relevant member company.	4,922/tonne	1,314	7.95
Heavy plates		4,055/tonne	453	7.29
Wire rods		4,126/tonne	74	3.90
Heavy section		4,776/tonne	2	0.19
Hot rolled sheets		3,998/tonne	1,883	13.90
Medium plates		4,168/tonne	43	2.96
Galvanized steel sheets		4,702/tonne	192	5.06
Colour coated sheets		5,855/tonne	10	2.17
Seamless pipes		4,654/tonne	24	2.95
Molten iron		2,460/tonne	1	100.00
Billets		3,892/tonne	5	6.50
Coke		890/tonne	30	100.00
Chemical by-products		—	18	1.71
Sub-total	—	—	4,049	8.60
Scrap steel	Market prices	—	74	99.00
Abandoned materials		—	3	85.56
Retired assets or idle assets	Market price or appraised price	—	2	41.79
Sub-total	—	—	79	94.63
Total	—	—	4,128	—

d. The Group provided Angang Holding Group with the following comprehensive services:

Items	**Pricing principle**	**Price**	**Amount**	**As a percentage of the amount of similar transactions**
		(RMB)	*(RMB million)*	*(%)*
New water	State price	2.93/tonne	22	100.00
Clean recycled water	Production cost plus a gross profit margin of 5%	0.74/tonne	10	99.97
Soft water		4.90/tonne	0.3	100.00
Gas		62.16/GJ	174	72.79
Blast furnace gas		4.00/GJ	14	99.98
Steam		47.50/GJ	20	95.39
Nitrogen		$254/KM^3$	2	18.21
Oxygen		$462/KM^3$	2	10.66
Argon		$1,302/KM^3$	1	7.72
Compressed air		$106/KM^3$	0.3	99.93
Used hot water		17.94/GJ	31	91.78
Product testing service	Market prices	—	2	84.77
Transportation service		—	0.2	100.00
Total	—	—	278.8	37.01

The above transactions of the Company were all settled in cash.

7. Claims and obligations between related parties and the Company

There were no claims or obligations between the Company and the related parties for non-operating purpose during the reporting period.

As at 30 June 2011, the Group's bank loans of RMB2,100 million was secured by Angang Holding.

8. Material contracts and their performance

(1) The Company did not enter into custody, contracting or lease arrangement in respect of the assets of other companies nor did other companies enter into any custody, contracting or lease arrangement in respect of the assets of the Company during the reporting period;

(2) There was no material guarantee which involved the Company during the reporting period;

(3) The Company did not entrust any party with the management of any of its assets during the reporting period;

(4) The Company did not enter into any other material contracts during the reporting period;

(5) The Company did not entrust any party for financial management during the reporting period.

9. Opinions of independent Directors in relation to cumulative and current external guarantees and capital occupied by the controlling shareholders and other related parties:

In accordance with the principles of the "Notice in Relation to Certain Issues Concerning the Regulation of Funds Transfer Between Listed Companies and Connected Parties, and External Guarantees Granted by Listed Companies" [2003] No.56 (the "Notice") issued by CSRC, we have faithfully and carefully reviewed and finalized the external guarantee of Angang Steel Company Limited* (hereafter as the "Company") and flow of funds between the Company and its related parties, and hereby make the following explanations:

(1) During the reporting period, the Company did not provide any external guarantee to its controlling shareholders and other related parties, any legal person entities or individuals.

(2) During the reporting period, none of the controlling shareholders and other related parties had occupied the Company's capital.

(3) In strict compliance with relevant regulations, the Company has clearly specified the relevant procedures and requirements concerning external guarantee in the Articles of Association of the Company. The Company also formulated Administrative Procedures of External Guarantee so as to strengthen the management of the external guarantee. The regulations of the Articles of Association of the Company and Administrative Procedures of External Guarantee are in compliance with the requirements of the relevant domestic and foreign regulations.

10. Undertakings of the Controlling Shareholder

On 27 October 2009, the Company and Angang Holding entered into the Supply of Materials and Services Agreement (2010-2011), pursuant to which, Basic Price of iron concentrate is "not higher than the average free-on-board import price reported to the PRC Customs for the first half of the year before adjustment ("Average Import Price") plus railway transportation expenses from Bayuquan Port to the Company and adjustment according to grade. Among other things, adjustment according to grade is on the basis of weighted average grade of iron concentrate imported in the first half of the year. Price adjustment for every 1% of increase or decrease in iron concentrate grade is RMB10/tonne." Angang Holding made the undertaking on 4 December 2009 to give a discount of 5% of Average Import Price to the maximum price which was confirmed according to the basic price. The validity of such undertaking shall be consistent with the Supply of Materials and Services Agreement (2010-2011).

During the reporting period, there was no breach of such undertakings by the undertaker.

11. Purchase, sale or redemption of the Company's listed securities

During the six months ended 30 June 2011, there was no re-purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries.

12. Securities Transactions of Directors

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

13. Independent Non-executive Directors

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

14. Audit Committee

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

The Audit Committee and the management personnel have reviewed the accounting standards, principles and methods adopted by the Company, and considered matters regarding auditing, internal control and the unaudited interim report for the six months ended 30 June 2011.

15. Shareholding in other listed companies

Stock Code	Stock abbreviation	Initial investment amount *(RMB million)*	Shareholding in that company	Book value at the end of the period *(RMB million)*	Loss/profit during the reporting period	Change in equity of holders during the reporting period
600961	Zhuzhou Smelter Group (株冶集團)	81	1.9%	169	—	-8

V. INTERIM FINANCIAL REPORT (UNAUDITED)

A. Prepared in accordance with International Financial Reporting Standards

Condensed consolidated income statement
For the six months ended 30 June 2011
(Expressed in Renminbi)

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

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

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2011
(Expressed in Renminbi)

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

Condensed consolidated statement of financial position at 30 June 2011

(Expressed in Renminbi)

	Note	At 30 June 2011 *RMB million* (unaudited)	At 31 December 2010 *RMB million* (audited)
Non-current assets			
Property, plant and equipment	9	**61,140**	64,226
Intangible assets		**6**	8
Construction in progress	10	**8,227**	6,324
Interests in jointly controlled entities		**1,431**	1,245
Interests in associates		**528**	488
Other investments		**518**	434
Deferred tax assets		**1,423**	1,368
		73,273	74,093
Current assets			
Inventories		**14,360**	13,134
Amount due from immediate parent	17	**1**	—
Amounts due from fellow subsidiaries	17	**8,487**	7,272
Amount due from a jointly controlled entity	17	**116**	69
Trade receivables	11	**4,371**	4,872
Prepayments, deposits and other receivables		**3,380**	4,004
Current tax assets		**30**	24
Cash and cash equivalents	12	**2,429**	3,651
		33,174	33,026

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

	Note	At 30 June 2011 RMB million (unaudited)	At 31 December 2010 RMB million (audited)
Total assets less current liabilities brought forward		**68,763**	68,637
Non-current liabilities			
Bank loans	14	**13,646**	12,717
Provisions		**37**	37
Deferred income		**684**	554
		14,367	13,308
NET ASSETS		**54,396**	55,329
Capital and reserves			
Share capital		**7,235**	7,235
Share premium		**31,414**	31,414
Reserves		**3,721**	3,713
Retained profits		**10,825**	11,690
Equity attributable to owners of the Company		**53,195**	54,052
Non-controlling interests		**1,201**	1,277
TOTAL EQUITY		**54,396**	55,329

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2011

(Expressed in Renminbi)

		(unaudited)						
		Attributable to owners of the Company						
		Share capital	Share premium	Reserves	Retained profits	Total	Non-controlling interests	Total equity
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2010		7,235	31,414	3,467	10,303	52,419	1,366	53,785
Total comprehensive income for the period		—	—	(51)	2,767	2,716	9	2,725
Transfer		—	—	17	(17)	—	—	—
Final dividends – 2009	7	—	—	—	(434)	(434)	—	(434)
Changes in equity for the period		—	—	(34)	2,316	2,282	9	2,291
At 30 June 2010		7,235	31,414	3,433	12,619	54,701	1,375	56,076
At 1 January 2011		7,235	31,414	3,713	11,690	54,052	1,277	55,329
Total comprehensive income for the period		—	—	(8)	236	228	(76)	152
Transfer		—	—	16	(16)	—	—	—
Final dividends – 2010	7	—	—	—	(1,085)	(1,085)	—	(1,085)
Changes in equity for the period		—	—	8	(865)	(857)	(76)	(933)
At 30 June 2011		7,235	31,414	3,721	10,825	53,195	1,201	54,396

Condensed consolidated statement of cash flows
For the six months ended 30 June 2011
(Expressed in Renminbi)

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

Notes on the interim financial report

For the six months ended 30 June 2011

(Expressed in Renminbi)

1. Basis of preparation

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

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

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (the "Group") since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the IASB. IFRSs includes all applicable International Financial Reporting Standards, IASs and related interpretations.

2. Adoption of new and revised International Financial Reporting Standards

In the current period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current period and prior years.

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

3. Segment information

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

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

4. Turnover

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

5. Income tax (credit)/expense

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

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

The provision for PRC income tax is based on a statutory rate of 25% (six months ended 30 June 2010: 25%) of the estimated assessable profits of the Group entities for the period as determined in accordance with relevant income tax rules and regulations in the PRC.

6. Profit for the period

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

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

7. Dividends

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

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

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

8. Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

9. Property, plant and equipment

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

10. Construction in progress

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

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

11. Trade receivables

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

The ageing analysis of trade receivables is as follows:

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

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

12. Cash and cash equivalents

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

As at 30 June 2011, a deposit of RMB1,432 million (31 December 2010: RMB2,607 million) was placed by the Group in Angang Group Financial Company Limited ("Angang Finance"), an associate and a fellow subsidiary of the Group.

13. Trade payables

	At 30 June 2011 *RMB million* **(unaudited)**	At 31 December 2010 *RMB million* (audited)
Accounts payable	**3,902**	4,492
Bills payable	**6,535**	4,879
	10,437	9,371

The ageing analysis of trade payables is as follows:

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

14. Bank loans

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

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

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

15. Short-term debentures

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

16. Commitments

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

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

17. Related party transactions

The following is a summary of significant transactions carried out between the Group, Angang Holding and its subsidiaries other than the Group (collectively referred to as "Angang Holding Group"), the jointly controlled entities and associates during the period.

(A) Significant transactions and balances with Angang Holding Group

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

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

Note:

(a) The Group sold finished products and scrap materials to Angang Holding Group mainly at selling prices based on the prices charged to independent customers. Steel products sold to Angang Holding Group for their development of new products were set at market prices, or production cost plus reasonable profit margin if no market prices were available.

The Group sold minus sieve powder to Angang Holding Group at prices for sinter ore less the costs of producing the same by Angang Holding Group.

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

(c) The Group purchased its principal raw material from Angang Holding Group at prices determined and modified on a semi-annual basis. The purchase price is mainly no higher than the average prices quoted to the Group for importing principal raw materials of similar quality in the previous interim period ("Quoted Prices") plus freight charges, price adjustments for the quality and 5% discount on the Quoted Prices, or the average purchase prices charged by independent suppliers plus price adjustments for the quality, or raw materials price plus 10% mark up of the last semi-annual processing costs or market prices.

(d) The Group purchased ancillary materials and spare parts from Angang Holding Group at selling prices no higher than the average prices of such materials quoted by Angang Holding Group to independent customers.

(e) The Group purchased utility supplies from Angang Holding Group mainly at State prices or production cost plus 5%.

(f) Angang Holding Group provided certain supporting services to the Group. These services include railway and road transportation services; agency services for import of raw materials, equipment, spare parts and ancillary materials; agency services for domestic sales and export of products; examination, repair and maintenance of equipment; design and engineering services; and other employees' supporting related services. Service fees were charged at applicable State prices, market prices, no higher than 1.5% of commission, depreciation and repair and maintenance, labour cost, material cost and management fee, and no higher than 5% mark up of processing costs.

(g) The Group purchased certain assets from Angang Holding Group at prices based on the market price.

(h) Angang Holding Group provided financial services in the form of deposit taking, settlement, borrowing and discounting services at State prices. The applicable borrowing rates are 10% lower of the interest rates quoted by The People's Bank of China.

As at 30 June 2011, the Group placed deposit with Angang Finance amounted to RMB1,432 million (31 December 2010: RMB2,607 million) and the loans from Angang Finance and Angang Holding (entrusted and arranged by Angang Finance) amounted to RMB4,800 million and RMB550 million respectively (31 December 2010: RMB7,300 million and RMB Nil).

(ii) Bank loans

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

(iii) Amount due from/to immediate parent

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

The amount due from/to immediate parent is unsecured, interest free and has no fixed terms of repayment.

(iv) Amounts due from/to fellow subsidiaries

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

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

(v) Supply of Materials and Services Agreement

The Company entered into a Supply of Materials and Services Agreement 2010/2011 with Angang Holding on 27 October 2009, which is effective on 1 January 2010 for 2 years.

(B) Significant transactions and balances with other related parties

(1) Significant transactions with ANSC-TKS Galvanizing Co., Ltd. ("ANSC-TKS")

The Group sold finished products to ANSC-TKS amounting to RMB1,754 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB1,839 million) for further processing.

(2) Significant transactions with Changchun FAM Steel Processing and Distribution Company Limited ("Changchun FAM")

The Group sold finished products to Changchun FAM amounting to RMB35 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB48 million) for further processing.

(3) Significant transactions with TKAS (Changchun) Steel Service Center Ltd. ("TKAS-SSC")

The Group sold finished products to TKAS-SSC amounting to RMB260 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB221 million) for further processing.

The Group paid agency fee for the agency services provided by TKAS-SSC for domestic sales of products amounting to RMB3 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB3 million).

(4) Significant transactions with TKAS (Changchun) Tailored Blanks Ltd. ("TKAS")

The Group sold finished products to TKAS amounting to RMB Nil for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB1 million) for further processing.

(5) Significant transactions with Tianjin Tiantie Ban Hai Metallurgy Enterprise Company Limited ("Ban Hai Enterprise")

The Group sold scrap steel to Ban Hai Enterprise amounting to RMB Nil for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB30 million).

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

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

(6) Amounts due from/to jointly controlled entities and associates

Amounts due from/to jointly controlled entities and associates mainly represent the amounts receivables/receipts in advance by the Group in respect of sales of finished goods and payables for the construction fee and services fee.

The amounts due from/to jointly controlled entities and associates are unsecured, interest free and have no fixed terms of repayment.

(7) Transactions with key management personnel

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

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Directors' and supervisors' fees	**—**	—
Salaries, allowance and other benefits in kind	**0.86**	1.08
Retirement scheme contributions	**0.14**	0.18
	1.00	1.26

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2011

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

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

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

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

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

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

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

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

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

Anshan City, Liaoning Province, the PRC
22 August 2011

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
Kwong Chi Kit, Victor

* *For identification purposes only*