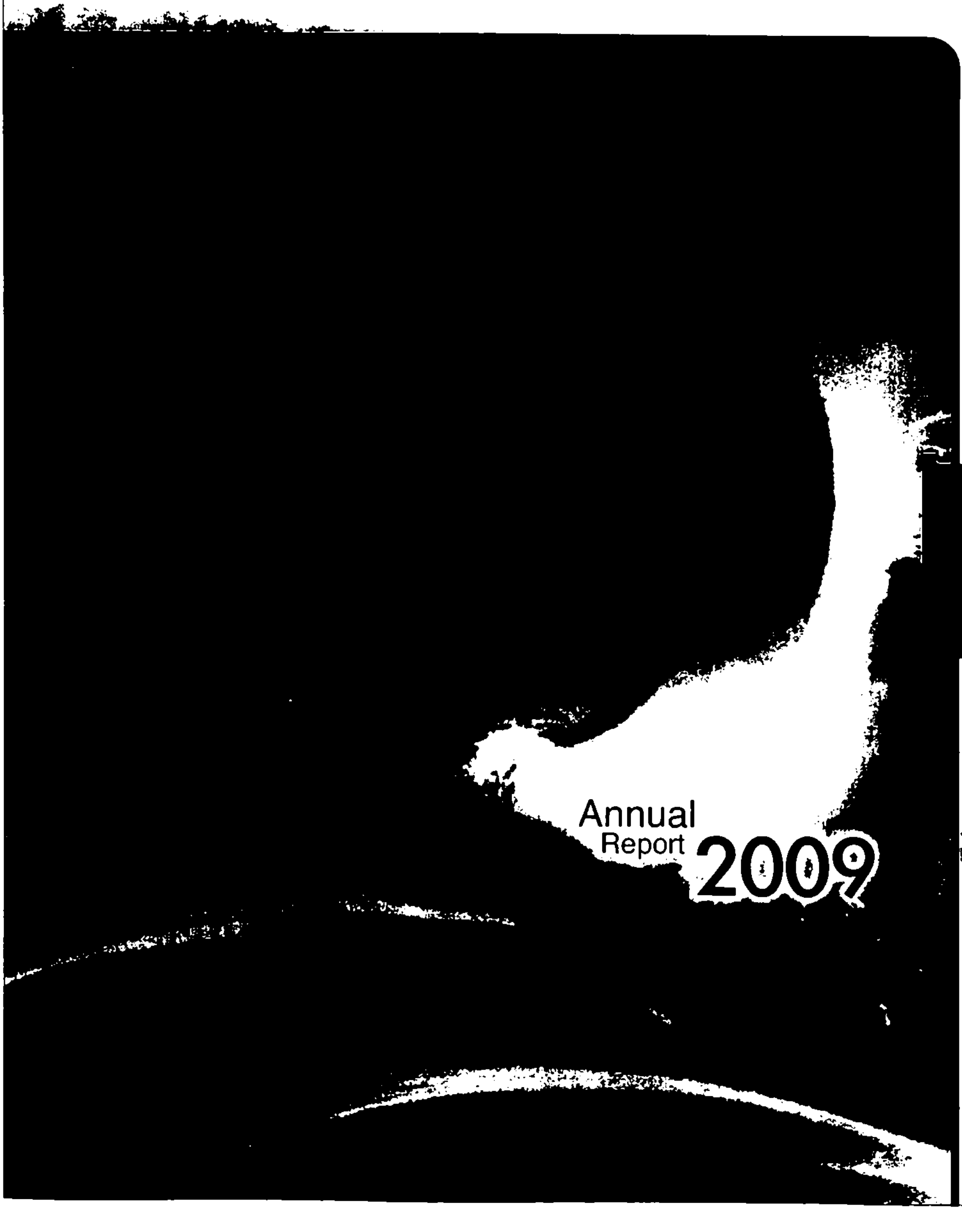
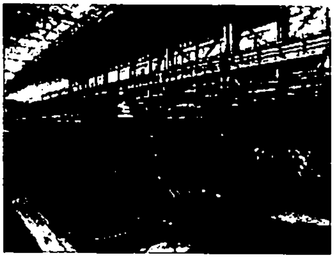
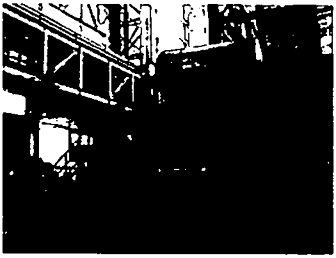
275

PUBLIC FILE

鞍鋼股份有限公司
ANGANG STEEL COMPANY LIMITED*
(Stock Code: 0347)

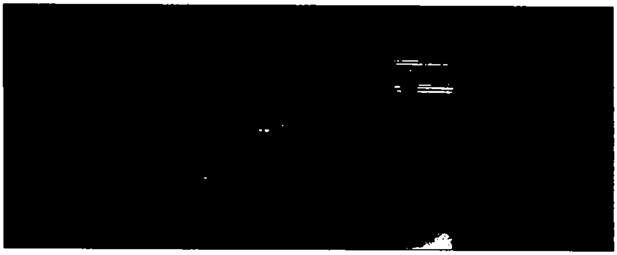


274


PUBLIC FILE

Content



Corporate Profile

PUBLIC FILE

The board of directors (the "Board"), Supervisory Committee ("Supervisory Committee"), the directors (the "Directors"), the supervisors (the "Supervisors") and the senior management of Angang Steel Company Limited (the "Company") confirm that there is no false representation or misleading statement contained in, or material omission from this report, and severally and jointly warrant and undertake for the truthfulness, accuracy, and completeness of the contents of this report.

Zhang Xiaogang, the Company's Chairman, and Ma Lianyong, Chief Accountant and Head of the Planning and Finance Department(計劃財務部), confirm that the financial statements in this report are true and complete.

The Board of the Company is pleased to announce the annual results of the Company for the year ended 31 December 2009.

CORPORATE PROFILE

The Company is a joint stock limited company incorporated on 8 May 1997 with Anshan Iron and Steel Group Complex ("Angang Holding") as its sole promoter. Pursuant to the reorganisation, Angang Holding transferred the Cold Roll Plant, Wire Rod Plant and Heavy Plate Plant to the Company by Angang Holding. The three plants had a net asset value of RMB2,028,817,600 as determined by the State-owned Assets Administration Bureau, and 1,319,000,000 domestic state-owned legal person shares with a par value of RMB1 each were issued to Angang Holding.

On 22 July 1997, the Company issued 890,000,000 H shares at HK$1.63 per share which were listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 24 July 1997. The Company subsequently issued 300,000,000 A shares at RMB3.90 per share on 16 November 1997, of which 285,505,400 shares were offered to the public and 14,494,600 shares were issued to the employees of the Company. Trading of the 285,505,400 shares offered and issued to the domestic shareholders, and the 14,494,600 employees' shares issued to the employees of the Company commenced on the Shenzhen Stock Exchange on 25 December 1997 and 26 June 1998, respectively.

On 15 March 2000, the Company issued A share convertible debentures amounting to RMB1.5 billion in the People's Republic of China (the "PRC"). On 14 March 2005, the Company paid the principal and interest accrued for the A share convertible debentures upon their maturity, and trading in and conversion of A share convertible debentures ended on the same day. As of the date of maturity, total of 453,985,697 A shares were converted from the convertible debentures of the Company.

PUBLIC FILE

CORPORATE PROFILE *(continued)*

On 26 January 2006, the Company issued 2,970,000,000 A shares at RMB4.29 per share to Angang Holding as partial payment of the consideration for the acquisition of 100% share capital of Angang New Steel and Iron Company Limited ("ANSI"). The registration for custody of such shares at Shenzhen Branch of China Securities Registration and Clearing Corporate Limited completed on 23 February 2006 and they will not be traded or transferred within 36 months starting from 23 February 2006. The total number of shares of the Company increased to 5,932,985,697 following the issue of new shares.

On 20 June 2006, it was approved by the annual general meeting of the Company for the year 2005 to change the Chinese name of the Company from「鞍鋼新軋鋼股份有限公司」to「鞍鋼股份有限公司」, and Chinese short name was changed to「鞍鋼股份」from「鞍鋼新軋」. The English name was changed from "Angang New Steel Company Limited" to "Angang Steel Company Limited", while the English short name was changed to "Ansteel" from "Angang New Steel". On 29 September 2006, the Company obtained its new "Business License for Enterprise Legal Person" reflecting such change of name.

In December 2005, the Company implemented the non-tradable shares reform, pursuant to which Angang Holding, the holder of the non-tradable shares of the Company, offered 2.5 A shares and 1.5 "鞍鋼 JTC1" share warrants for every 10 shares held by the registered holders of tradable A shares on the record date for the non-tradable shares reform, and Angang Holding offered a total of 188,496,424 A shares and 113,097,855 "鞍鋼JTC1" share warrants to other holders of A shares. The "鞍鋼JTC1"share warrants expired in December 2006. A total of 110,601,666 share warrants were exercised, as a result of which Angang Holding transferred 110,601,666 shares to the other holders of A shares at RMB3.386 per share. The "鞍鋼JTC1" warrants which were not exercised on the date of expiry were cancelled thereafter. Following the exercise of such warrants, the total number of shares of the Company remained unchanged, comprising 3,989,901,910 A shares held by Angang Holding, 1,053,083,787 A shares held by the other A shareholders and 890,000,000 H shares held by the H shareholders.

PUBLIC FILE

Corporate
Profile *(continued)*

CORPORATE PROFILE *(continued)*

During 2007, the Company issued rights shares on the basis of 2.2 rights shares for every 10 existing shares to all the shareholders of the Company. From 10 October to 16 October 2007, the Company issued 1,106,022,150 domestic rights shares to A share shareholders of the Company at the price of RMB15.4 per share, including issuance of 228,240,496 shares to holders of shares not subject to trading moratorium and issuance of 877,781,654 shares to holders of shares subject to trading moratorium. Such newly issued domestic rights shares were approved to be listed on the Shenzhen Stock Exchange on 25 October 2007. From 22 October to 5 November 2007, the Company issued 195,800,000 H rights shares to H shareholders of the Company at a price of HK$15.91 per share (equivalent to RMB15.4 per share according to the then exchange rate). Such newly issued H rights shares were approved to be listed on the Hong Kong Stock Exchange on 14 November 2007. Upon completion of rights issue, the total number of shares of the Company amounted to 7,234,807,847 shares, of which 4,867,680,330 shares were held by Angang Holding, 1,281,327,517 shares were held by other A shareholders and 1,085,800,000 shares were held by H shareholders.

The Company's principal activities include production and sale of steel products such as hot rolled sheets, cold rolled sheets, galvanized steel sheets, colour coating plates, silicon steel, medium and thick plates, wire rods, heavy section and seamless steel pipes. These products are widely used in industries such as automobile, construction, ship-building, home electrical appliances, railway construction and manufacture of pipelines. The Company's products are very competitive in the domestic and foreign markets and its equipment is of an advanced standard in the PRC.

PUBLIC FILE

CORPORATE PROFILE *(continued)*

1	Legal Name of the Company:	
	(in Chinese):	鞍钢股份有限公司
	(in English):	ANGANG STEEL COMPANY LIMITED
2	Legal Representative of the Company:	Zhang Xiaogang
3	Secretary to the Board of the Company:	Fu Jihui
	Company Address:	1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC
	Telephone:	86-412-8417273 86-412-8419192
	Fax:	86-412-6727772
4	Registered Address of the Company:	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC
	Postal Code:	114021
	Website:	http://www.ansteel.com.cn
	E-mail Address:	ansteel@ansteel.com.cn
5	Company's Annual Report Available at	Secretarial office of the Board of Directors of the Company
	Website for Disclosure of Information in Hong Kong:	http://www.hkex.com.hk and http://angang.wspr.com.hk
	Website for Publication of Annual Report designated by CSRC	http://www.cninfo.com.cn
	Stock Exchange Listings:	A shares: Shenzhen Stock Exchange H shares: The Hong Kong Stock Exchange
	Abbreviations:	A shares: Angang Steel H shares: Angang Steel
	Stock Code:	A shares: 000898 H shares: 0347

268

PUBLIC FILE

Financial and Business
Highlights of the Group

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

Unit: RMB million

		2008		2007	
	2009	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 PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("PRC ACCOUNTING STANDARDS")

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 Company:	727
Net profit less extraordinary items attributable to shareholders of the 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)

PUBLIC FILE

PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("PRC ACCOUNTING STANDARDS") *(continued)*

1. Key accounting data of the Group for the year: *(continued)*

Note: Extraordinary items and amounts of the Group 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 Company			
	Net profit		Net asset		Net profit		Net asset	
	For the period	For the pervious period	Closing balance	Opening balance	For the period	For the pervious 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)

Financial and Business
Highlights of the Group *(continued)*

PUBLIC FILE

PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("PRC ACCOUNTING STANDARDS") *(continued)*

3. Major accounting data and financial indices of the Group for the last three years

Unit: RMB million

Items	2009	2008 Before adjustment	2008 After adjustment	Increase/ (decrease) compared with previous year *(%)*	2007 Before adjustment	2007 After adjustment
Operating revenue	**70,126**	79,616	79,616	(11.92)	65,499	65,499
Total profit	**843**	3,842	3,832	(78.00)	10,373	10,373
Net profit attributable to shareholders of the Company	**727**	2,989	2,981	(75.61)	7,525	7,525
Net profit less extraordinary items attributable to shareholders of the Company	**688**	3,016	3,008	(77.13)	7,613	7,613
Net cash flows from operating activities	**4,549**	11,938	11,938	(61.89)	7,906	7,906
Basic earnings per share *(RMB)*	**0.100**	0.413	0.412	(75.73)	1.120	1.120
Diluted earnings per share *(RMB)*	**0.100**	0.413	0.412	(75.73)	1.120	1.120
Basic earnings per share less extraordinary items *(RMB)*	**0.095**	0.417	0.416	(77.16)	1.133	1.133
Return on net assets (fully diluted) *(%)*	**1.39**	5.63	5.61	Decreased by 4.22 percentage points	13.87	13.87
Return on net assets (weighted average) *(%)*	**1.38**	5.57	5.55	Decreased by 4.17 percentage points	21.32	21.32

PUBLIC FILE

PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("PRC ACCOUNTING STANDARDS") *(continued)*

3. Major accounting data and financial indices of the Group for the last three years *(continued)*

Items	2009	2008 Before adjustment	2008 After adjustment	Increase/(decrease) compared with previous year (%)	2007 Before adjustment	2007 After adjustment
Return on net assets less extraordinary items (fully diluted) *(%)*	**1.31**	5.68	5.66	Decreased by 4.35 percentage points	14.03	14.03
Return on net assets less extraordinary items (weighted average) *(%)*	**1.30**	5.62	5.60	Decreased by 4.30 percentage points	21.57	21.57
Net cash flows per share from operating activities *(RMB)*	**0.629**	1.650	1.650	(61.88)	1.093	1.093

Items	End of 2009	End of 2008 Before adjustment	End of 2008 After adjustment	Increase/(decrease) compared with the end of previous year (%)	End of 2007 Before adjustment	End of 2007 After adjustment
Total assets	**100,987**	92,179	92,184	9.55	86,786	86,786
Shareholders' equity attributable to shareholders of the Company	**52,432**	53,103	53,108	(1.27)	54,255	54,266
Net asset per share attributable to shareholders of the Company *(RMB)*	**7.25**	7.34	7.34	(1.23)	7.5	7.5
Share capital	**7,235**	7,235	7,235	—	7,235	7,235

264

PUBLIC FILE

Financial and Business
Highlights of the Group *(continued)*

PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("PRC ACCOUNTING STANDARDS") *(continued)*

4. Return on net assets and earnings per share 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	1.39	1.38	0.100	0.100
Net profit less extraordinary items attributable to holders of ordinary shares of the Company	1.31	1.30	0.095	0.095

5. Changes in shareholders' equity during the reporting period

Unit: RMB million

	Equity attributable to the shareholders of the Company							
Items	**Share capital**	**Capital reserve**	**Surplus reserves**	**Special reserves**	**Undistributed profit**	**Sub-total**	**Minority interest**	**Total shareholders' equity**
At the beginning of the period	7,235	31,423	3,280	21	11,149	53,108	–	53,108
Increase for the period	–	87	77	35	727	926	1,366	2,292
Decrease for the period	–	–	–	6	1,595	1,602	–	1,602
At the end of the period	7,235	31,510	3,357	50	10,280	52,432	1,366	53,798

PUBLIC FILE

PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("PRC ACCOUNTING STANDARDS") *(continued)*

5. Changes in shareholders' equity during the reporting period *(continued)*

Reasons for changes

1. The increase in capital reserve was due to the increase of RMB87 million in the fair value of available-for-sale financial assets.

2. The increase in surplus reserves was due to the allocation of 10% (RMB77 million) of profit after tax to surplus reserves.

3. The increase in undistributed profits was due to net profits attributable to the shareholders of the Company of RMB727 million generated in 2009; the decrease in undistributed profits was due to (i) the payment of RMB1,519 million as annual dividends for 2008 and (ii) the allocation of RMB77 million to surplus reserves.

4. The increase in special reserve was due to the provision of RMB35 million of production safety expenses and the decrease of RMB6 million in production safety expenses incurred.

5. Minority interests reached RMB1,366 million, which was attributable to the consolidation of financial statements of Tianjin Angang Tian Tie Cold Rolled Sheets Company Limited ("Angang Tian Tie") into the Company for the year.

262

PUBLIC FILE

Chairman's
Statement

On behalf of the Board of Angang Steel Company Limited, I am pleased to present the annual report of the Company for the year ended 31 December 2009 and hereby extend my regards to all the shareholders.

261

PUBLIC FILE

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 share (for reference only).

PUBLIC FILE

OPERATING RESULTS FOR 2009 *(continued)*

Distribution for the last three years

Time	Net profit attributable to shareholders of the Company *(RMB million)*	Distribution plan	Amount of cash dividend *(RMB million)*	Proportion of the amount of cash dividend in realized net profit
2008	2,981	RMB0.21 per share	1,519	50.96%
2007	7,525	RMB0.55 per share	3,979	52.88%
2006	7,003	RMB0.58 per share	3,441	49.14%
Total	17,509	—	8,939	51.05%

Note: Figures of the Company's realized net profit are figures adjusted in accordance with the latest requirements under the PRC Accounting Standards

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.

PUBLIC FILE

BUSINESS REVIEW (continued)

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.

PUBLIC FILE

BUSINESS REVIEW *(continued)*

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(北車集團), 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 Chongqi 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.

257

PUBLIC FILE

BUSINESS REVIEW *(continued)*

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.

PUBLIC FILE

Chairman's Statement *(continued)*

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.

PUBLIC FILE

DEVELOPMENT PLAN FOR 2010 *(continued)*

2. Operation plan of the Company for 2010 *(continued)*

(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.

Chairman
Zhang Xiaogang

Anshan City, the PRC
19 April 2010

PUBLIC FILE

Movement in Share Capital
and Shareholders' Profile

MOVEMENT IN SHARE CAPITAL

As at 31 December 2009, the shareholding structure of the Company was as follows:

Unit: Share

	Before the change during the period		Increase/decrease during the period			After the change during the period	
	Number	Percentage (%)	Issue of new shares	Others	Sub-total	Number	Percentage (%)
I Shares subject to trading moratorium	4,340,905,343	60.00	–	(2,700)	(2,700)	4,340,902,643	60.00
1. State-owned shares	4,340,884,709	60.00	–	–	–	4,340,884,709	60.00
2 State-owned legal person shares	–	–	–	–	–	–	–
3 Other domestic shares	20,634	0.00	-	(2,700)	(2,700)	17,934	0.00
Including: shares held by domestic legal persons	–	–	–	–	–	–	–
shares held by domestic natural persons	20,634	0.00	–	(2,700)	(2,700)	17,934	0.00
4 Foreign shares	–	–	–	–	–	–	–
Including: shares held by overseas legal persons	–	–	–	–	–	–	–
shares held by overseas natural persons	–	–	–	–	–		–
II Shares not subject to trading moratorium	2,893,902,504	40.00	–	2,700	2,700	2,893,905,204	40.00
1 Renminbi ordinary shares	1,808,102,504	24.99	–	2,700	2,700	1,808,105,204	24.99
2 Domestically listed foreign shares	–	–	–	–	–	–	–
3 Overseas listed foreign investment shares	1,085,800,000	15.01	–	–	–	1,085,800,000	15.01
4 Others	–	–	–	–	–	–	–
III Total shares	7,234,807,847	100.00	–	0	0	7,234,807,847	100.00

Note: Reasons for changes in the equity structure during the reporting period:

During the reporting period, the shares held by a Director from the former session of the Board of the Company were released from trading moratorium upon the expiry of his/her resignation.

PUBLIC FILE

MOVEMENT IN SHARE CAPITAL *(continued)*

Changes in shares subject to trading moratorium

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium during the year	Number of in creased shares subject to trading moratorium during the year	Number of shares subject to trading moratorium as at the end of the year	Reasons for trading moratorium	Date of moratorium release
Angang Holding	4,340,884,709	—	—	4,340,884,709	—	—
Fu Wei	11,529	—	—	11,529	—	—
Fu Jihui	6,405	—	—	6,405	—	—
Lin Daqing	2,700	2,700	—	0	released from moratorium upon resignation	12 December 2009
Total	4,340,905,343	—	—	4,340,902,643	—	—

PUBLIC FILE

Movement in Share Capital
and Shareholders' Profile *(continued)*

DETAILS OF SHAREHOLDERS

1. **As at the end of the reporting period, the Company has a total of 118,777 shareholders, of which 544 were holders of H shares.**

2. **As at 31 December 2009, the top 10 shareholders, the top 10 shareholders not subject to trading moratorium and their respective shareholdings were as follows:**

Details of shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholder	Percentage of shareholdings (%)	Total number of shares held *(share)*	Number of shares held subject to trading moratorium *(share)*	Number of shares pledged/ frozen
Angang Holding	Holder of state-owned shares	67.29	4,868,547,330	4,340,884,709	—
HKSCC (Nominees) Limited	Holder of foreign shares	14.83	1,072,840,530	—	Unknown
China Industrial and Commercial Bank -Boshi Selective Stock Fund (中國工商銀行－博時精選股票證券投資基金)	Others	0.51	36,746,580	—	Unknown
China Construction Bank-Huabao Industrial Prime Equity Securities Investment Fund (中國建設銀行－華寶興業行業精選股票型證券投資基金)	Others	0.39	27,885,623	—	Unknown
National Social Insurance Fund 104 Portfolio (全國社保基金一零四組合)	Others	0.33	23,889,949	—	Unknown
Bank of Communications-Huaan Strategic Prime Stock Securities Investment Fund (交通銀行－華安策略優選股票型證券投資基金)	Others	0.30	21,800,120	—	Unknown

PUBLIC FILE

DETAILS OF SHAREHOLDERS *(CONTINUED)*

2. **As at 31 December 2009, the top 10 shareholders, the top 10 shareholders not subject to trading moratorium and their respective shareholdings were as follows:** *(continued)*

Details of shareholdings of the top 10 shareholders *(continued)*

Name of shareholder	Nature of shareholder	Percentage of shareholdings *(%)*	Total number of shares held *(share)*	Number of shares held subject to trading moratorium *(share)*	Number of shares pledged/ frozen
China Construction Bank -ABN AMRO TEDA Fair Value Excellent Pick Security Investment Fund (中國建設銀行－泰達荷銀市值優選股票型證券投資基金)	Others	0.29	21,195,616	–	Unknown
Industrial and Commercial Bank of China-China Southern Risk-resistant Value-added Fund (中國工商銀行－南方避險增值基金)	Others	0.25	17,958,188	–	Unknown
Bank of Communications-Fuguo Tianyi Value Securities Investment Fund (交通銀行－富國天益價值證券投資基金)	Others	0.22	16,049,258	–	Unknown
Bank of China-Invesco Great Wall Dingyi Equity Securities Investment Fund (中國銀行－景順長城鼎益股票型開放式證券投資基金)	Others	0.22	15,890,636	–	Unknown

PUBLIC FILE

Movement in Share Capital
and Shareholders' Profile *(continued)*

DETAILS OF SHAREHOLDERS *(CONTINUED)*

2. **As at 31 December 2009, the top 10 shareholders, the top 10 shareholders not subject to trading moratorium and their respective shareholdings were as follows:** *(continued)*

Shareholdings of the top 10 shareholders not subject to trading moratorium

Name of shareholder	**Number of shares held not subject to trading moratorium** *(share)*	**Class of shares**
HKSCC (Nominees) Limited	1,072,840,530	Overseas listed foreign shares
China Industrial and Commercial Bank -Boshi Selective Stock Fund (中國工商銀行—博時精選股票證券投資基金)	36,746,580	Renminbi ordinary shares
China Construction Bank-Huabao Industrial Prime Equity Securities Investment Fund (中國建設銀行—華寶興業行業精選股票型證券投資基金)	27,885,623	Renminbi ordinary shares
National Social Insurance Fund 104 Portfolio (全國社保基金一零四組合)	23,889,949	Renminbi ordinary shares
Bank of Communications -Huaan Strategic Prime Stock Securities Investment Fund (交通銀行—華安策略優選股票型證券投資基金)	21,800,120	Renminbi ordinary shares
China Construction Bank — ABN AMRO TEDA Fair Value Excellent Pick Security Investment Fund (中國建設銀行—泰達荷銀市值優選股票型證券投資基金)	21,195,616	Renminbi ordinary shares
Industrial and Commercial Bank of China-China Southern Risk-resistant Value-added Fund (中國工商銀行—南方避險增值基金)	17,958,188	Renminbi ordinary shares
Bank of Communications-Fuguo Tianyi Value Securities Investment Fund (交通銀行—富國天益價值證券投資基金)	16,049,258	Renminbi ordinary shares
Bank of China-Invesco Great Wall Dingyi Equity Securities Investment Fund (中國銀行—景順長城鼎益股票型開放式證券投資基金)	15,890,636	Renminbi ordinary shares
Industrial and Commercial Bank of China-Rongtong Shenzhen 100 Index Securities Investment Fund (中國工商銀行—融通深證100指數證券投資基金)	15,760,058	Renminbi ordinary shares

PUBLIC FILE

DETAILS OF SHAREHOLDERS *(CONTINUED)*

2. As at 31 December 2009, the top 10 shareholders, the top 10 shareholders not subject to trading moratorium and their respective shareholdings were as follows: *(continued)*

Shareholdings of the top 10 shareholders not subject to trading moratorium *(continued)*

Explanations on the connected relationship or concerted action among the shareholders mentioned above	Angang Holding, the largest shareholder of the Company, has no relationship with any of the other top 10 shareholders of the Company or any of the top 10 shareholders not subject to trading moratorium. Nor is Angang Holding a party to any concerted action as provided in the Procedures for the Administration of Information Disclosure for Change in Shareholdings of the Shareholders of Listed Companies. The Company is not aware of any connected relationship among other shareholders of the Company or any parties acting in concert as provided in Procedures for the Administration of Information Disclosure for Change in Shareholdings of the Shareholders of Listed Companies.

3. Details of the controlling shareholder of the Company

The controlling shareholder of the Company is Angang Holding

Legal representative:	Zhang Xiaogang
Year of incorporation:	1948
Scope of operation:	Production of steel products, metal products (non-franchise), cast iron tubes, metal structures, metal wire and products, sintering and coking products, cement, power generation, metallurgical machinery equipment and parts, electrical machinery, electricity transmission and supply and control equipment and meters, mining of iron and manganese ores, refractory earth and stone extraction.
Principal products:	Steel pressing products and metal products
Registered capital:	RMB10,794 million
Shareholding structure:	Wholly-owned by the PRC

PUBLIC FILE

Movement in Share Capital
and Shareholders' Profile *(continued)*

DETAILS OF SHAREHOLDERS *(CONTINUED)*

4. Ownership and controlling relationship between the Company and its ultimate controlling shareholder

The State-owned Assets Supervision and Administration Commission of the State Council

↓ 100%

Angang Holding

↓ 67.29%

Angang Steel Company Limited

5. Interests and short positions in the shares and underlying shares of the Company held by substantial shareholders and others

Save for disclosed below, as at 31 December 2009, no other person (other than the Company's Directors, Supervisors and senior management) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance ("SFO") (Chapter 571, the Laws of Hong Kong)

Interest in ordinary shares of the Company

Name of shareholder	Number and class of shares held	Percentage in total share capital	Percentage in total issued H shares	Percentage in total issued domestic shares	Capacity
Angang Holding	4,868,547,330 State-owned shares	67 29%	—	79.18%	Beneficial owner
HKSCC (Nominees) Limited	1,072,840,530 H shares	14 83%	98 81%	—	Nominee

Movement in Share Capital
and Shareholders' Profile *(continued)*

PUBLIC FILE

DETAILS OF SHAREHOLDERS *(CONTINUED)*

6. **Trading moratorium on the former holders of non-tradable shares out of the top 10 shareholders:**

Unit: Share

No.	Name of shareholders subject to trading moratorium	Number of shares subject to trading moratorium	Expiry date of trading moratorium	Number of shares released from trading moratorium	Trading moratorium
1	Angang Holding	4,340,884,709	1 January 2011	4,340,884,709	1. The shares held by Angang Holding following the completion of the Non-tradable Share Reform Plan will be subject to a trading moratorium of 36 months from listing date of such shares except for the shares to be transferred to any holders of tradable ordinary domestic shares upon his/her exercise of the warrants. 2. On 23 February 2006, the Company issued a total of 2.97 billion new circulating A shares to Angang Holding. Such newly issued shares were deposited to Angang Holding's account and are subject to a trading moratorium of 36 months from the completion of the transfer of such newly issued shares to Angang Holding. 3. Angang Holding shall maintain a minimum of 60% shareholding in the Company following the completion of the acquisition of 100% equity interest in ANSI till the end of 2010.

PUBLIC FILE

Details of General Meeting

The Company convened the first extraordinary general meeting of 2009 on 6 February 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 7 February 2009.

The Company convened the 2008 annual general meeting on 12 June 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 13 June 2009.

The Company convened the second extraordinary general meeting, the first domestic share class meeting and the first H share class meeting of 2009 on 18 September 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 19 September 2009.

The Company convened the third extraordinary general meeting of 2009 on 28 December 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 29 December 2009.

Particulars of Directors,
Supervisors and Senior Management

1. MEMBERS OF THE BOARD

Executive Directors

Mr. Zhang Xiaogang, aged 56, a professor-level senior engineer holding a PhD degree in engineering, is the Chairman of the Company and General Manager of Angang Holding. Mr Zhang has obtained a bachelor's degree from Wuhan University, a master's degree from Northeastern University and a Ph.D degree from the Central Iron & Steel Research Institute. He has been working for Angang Holding for over 30 years and has held various senior management positions in Angang Holding, including the Head of the Technology Department, the Deputy Chief Engineer and the General Manager of ANSI and the Executive Deputy General Manager of Angang Holding. He is an alternate member of Seventeenth Central Committee of the Communist Party of China and representatives of the Eleventh National People's Congress. Mr. Zhang is an expert in metallurgical industry with extensive knowledge in the development and innovation of metallurgical technology. He was a member of the expert panel in the "State 863 and 973 Projects" and was awarded the First Prize for Scientific and Technological Progress by the state. Mr Zhang is currently the Chairman of China Iron and Steel Association, a member of the expert panel of the Standardization Administration of China, the Director of the Steel Rolling Academic Committee and the Chairman of International Organization for Standardization ISO/PC17/SC17 and the Low Alloy Steel Academic Committee of The Chinese Society for Metals

Mr. Yang Hua, aged 48, is the Vice Chairman and the Secretary to the Party Committee of the Company and an associate professor Mr Yang graduated from the Faculty of Philosophy of Peking University with a master's degree in 1990. He joined Angang Holding in the same year and has been a Deputy Head of the Education Division of Angang Party School, a Deputy Secretary to the Party Committee of Iron Smelting Plant and Half Continuous Rolling Plant of Angang Holding, the Secretary to the Party Committee of Iron Smelting Plant of Angang Holding, the Head of Angang Holding Office, the Assistant to General Manager of Angang Holding, the Secretary to the Party Committee of the Company, a Deputy Secretary to the Party Committee of Angang Holding and the Secretary to the Party Committee of ANSI.

Mr. Chen Ming, aged 49, is the Vice Chairman and Acting General Manager of the Company and a professor-level senior engineer. Mr. Chen graduated from Anshan Institute of Iron and Steel Technology with a master's degree in iron and steel metallurgy. He has been working for Angang Holding for over 20 years and has held various senior management positions, including the General Engineer of No. 3 Steel Plant of Angang, the Vice Director and Director of No 2 Steel Plant of Angang, a Deputy General Manager and the Head of Production Department of ANSI, the Head of the Planning and Development Department of Angang, the Head of Strategic Development Department of Angang and the Deputy General Manager of the Company

1. MEMBERS OF THE BOARD *(continued)*

Executive Directors *(continued)*

Mr. Yu Wanyuan, aged 49 is a Director of the Company, the Deputy General Manager of Angang Holding and a professor-level senior accountant. Mr. Yu joined Angang Holding in 1998. Mr. Yu graduated from Northeastern University with a bachelor's degree in mechanical engineering. He studied at the Economic College of Xiamen University in 1984. He obtained his second bachelor's degree in management engineering from Northeastern University in 1990. Mr. Yu has held the positions as a Deputy Director of Financial Department of Northeastern University, the Accounting Director of Shenyang Xinji Real Estate Development Company, a Deputy Chief Accountant of Northeastern University, the Assistant to General Manager, a Deputy Chief Accountant, Chief Accountant and the Head of the Department of Finance and Accounting of Angang Holding.

Mr. Fu Jihui, aged 58 is a Director, Secretary to the Board of the Company and a senior accountant. Mr. Fu graduated from Dongbei University of Finance and Economics with a master's degree in accounting. He joined Angang Holding in 1969 and has held various positions including the Deputy Manager of the Finance Department.

Independent Non-executive Directors

Mr. Li Shijun, aged 66, is an Independent Non-executive Director of the Company. Mr. Li currently serves as an Executive Deputy Secretary-General of China Iron and Steel Association, Deputy Secretary-General of the Chinese Society for Metals. Mr. Li is a professor-level Senior Engineer. He graduated from Beijing Iron and Steel College with a bachelor's degree. Mr. Li concurrently serves as an independent director of Fujian Sangang Minguang Co., Ltd. and Xinxing Ductile Iron Pipes Co., Ltd. Mr. Li had been, among others, Deputy Director of the Technology Division of Ministry of Metallurgical Industry and a Deputy Director of the Planning and Development Division of the State Bureau of Metallurgical Industry.

Mr. Ma Guoqiang, aged 56, is an Independent Non-executive Director of the Company. Mr. Ma is currently a Vice President of Dongbei University of Finance and Economy, a professor and tutor of doctorate candidates. He has obtained a master's degree from Dongbei University of Finance and Economy and a Ph.D degree from Chinese Academy of Social Sciences. He is concurrently an evaluation expert of the National Planning Office of Philosophy and Social Sciences, and a Vice Chairman of the Chinese Taxation Institute. Mr. Ma has served in Dongbei University of Finance and Economy as a lecturer, the Deputy Head and Head of Taxation Department, the Dean of the Finance and Taxation College and the Assistant to the President.

1. MEMBERS OF THE BOARD *(continued)*

Independent Non-executive Directors *(continued)*

Mr. Liu Wei, aged 53, is an Independent Non-executive Director of the Company. Mr. Liu is currently the Assistant to the President of Peking University, the Dean of School of Economics of Peking University, a professor and tutor of doctorate candidates. He graduated from Peking University with a master's degree and a Ph.D degree. He is the editor-in chief of Economic Science, a Vice President of China Marketing Economy Research Center, a Vice President of China Private Economic Research Center, a Vice President of Chinese Association of Productivity Science and a member of Economics Counsel of Academic Degree Commission of the State Council.

Mr. Kwong Chi Kit Victor, aged 43, is an Independent Non-executive Director of the Company. He is currently the financial controller of Anwell Technologies Limited, a company listed on the main board of the Singapore Exchange Limited. He has over 16 years of experience in the auditing, accounting and financial management in the commerce, manufacturing and public administration areas. Mr. Kwong is a fellow member of the Association of Chartered Certified Accountants (United Kingdom) and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwong has obtained a bachelor's degree in Commerce from Curtin University of Technology in Australia. Mr. Kwong is also an independent director of Shandong Xinhua Pharmaceutical Company Limited, a company listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, and Get Nice Holdings Limited, a company also listed on the Hong Kong Stock Exchange.

2. MEMBERS OF THE SUPERVISORY COMMITTEE

Mr. Wen Baoman, aged 59, is the Chairman of the Supervisory Committee of the Company and the Deputy Secretary to the Communist Party Committee of Angang Holding. Mr Wen is also the President of the Angang Communist Party School, a member of the Standing Commission of Anshan Municipal Committee of the Communist Party of China and a senior politician. Mr. Wen graduated with a bachelor's degree from Liaoning Provincial Party School. Mr. Wen has been with Angang Holding for over 30 years and held various senior positions of Angang Holding, including the Secretary to the Committee of the Communist Youth League of Angang Holding, the Head of the Office of the Communist Party Committee of Angang Holding, the Vice Chairman of the Labour Union of Angang Holding, the Head of Propaganda Department of the Communist Party Committee of Angang Holding, a member of the Standing Committee of the Communist Party of Angang Holding, the Secretary to the Communist Party Committee of Angang Construction Company* and the Chairman of the Labour Union of Angang Holding.

Particulars of Directors, Supervisors and Senior Management *(continued)*

2. MEMBERS OF THE SUPERVISORY COMMITTEE *(continued)*

Mr. Shan Mingyi, aged 56, is a Supervisor of the Company and the Chairman of the Labour Union of the Company and a senior politician. Mr Shan graduated from the correspondence education of Central Party's School majoring in economics and management. He joined Angang Holding in 1969, and had been the Deputy Head, Head of the Organization Department, Director of Human Resources Department, Deputy Secretary to the Party Committee of Angang Machinery Manufacturing Co., Ltd., Vice Chairman of the Labour Union of Angang Holding, and Chairman of the Labour Union of ANSI.

Supervisors from staff representatives:

Mr. Xing Guibin, aged 50, is a Supervisor, currently the secretary to a branch of the Party of the Company in the continuous casting operation area. Mr. Xing graduated from Liaoning Gongyun College with an associate degree. Mr. Xing joined Angang Holding in 1981 and served as a worker, Head and Chief of the Boiler Division, Deputy Director, Director of the workshop, etc. He was recognized as a model worker in the national metallurgical industry in 1994 and a national model worker in 1995. He was granted one of the national outstanding youths award by the Communist Youth Party of the central government in 1996.

3. OTHER SENIOR MANAGEMENT MEMBERS

Ms. Zhang Lifen, aged 45, is the Deputy General Manager of the Company and a senior engineer. Ms. Zhang graduated from University of Science and Technology Beijing with a Master's degree in metallurgical material engineering. Ms Zhang joined Angang Holding in 1986 and has been the Assistant to Plant Manager, Deputy Plant Manager, Acting Plant Manager and Plant Manager of Wire Rod Plant of Angang Holding, the Deputy General Manager and the Assistant to the General Manager of the Company.

Mr. Fu Wei, aged 50, is a Deputy General Manager of the Company and a senior engineer. Mr. Fu graduated from University of Science and Technology Beijing with a master's degree in Industrial Engineer. He joined Angang Holding in 1982 and held various positions including the Assistant to the Plant Manager of Cold Roll Plant, Chairman of the Workers' Union of Cold Roll Plant of Angang Holding, the Deputy Head and Head of Facility Division, and Assistant to the General Manager of the Company.

Mr. Ma Lianyong, aged 48, is the Chief Accountant of the Company and a professor-level senior accountant. Mr. Ma received a master's degree in industrial foreign trade and industrial accounting from Beihang University and a master's degree in management engineering from Northeastern University. Mr. Ma joined Angang Holding in 1984, and served as the Chief Accountant of Angang Construction's Complex Construction and Installation Corporation and Anshan Yinzuo Group Company Limited, the Deputy Head of Fund Division of Finance Department of Angang Holding and the Deputy Head of Finance Department of ANSI.

The Board is pleased to present the annual report and the audited financial statements for the year ended 31 December 2009.

PRINCIPAL BUSINESS

The Company is a major steel manufacturer in the PRC. Its principal business includes production and sale of products including hot rolled products, cold rolled products, medium and thick plates and other steel products. The domestic market share of the Company's hot rolled sheets, cold rolled sheets, galvanized steel sheets, colour coating plates, silicon steel, medium and heavy plates, wire rods, heavy rails and seamless steel pipes are 6.85%, 7.9%, 5.14%, 0.79%, 12.2%, 8.31%, 0.92%, 18.8% and 2.15%, respectively.

Principal business of the Group by industries and products (prepared in accordance with the PRC Accounting Standards)

Unit: RMB million

	Operating revenue	Operating cost	Gross profit margin (%)	Increase/ decrease of operating revenue compared with the previous year (%)	Increase/ decrease of operating costs compared with the previous year (%)	Increase/ decrease in gross profit margin compared with the previous year *(percentage points)*
Principal business by industries						
Steel pressing and processing	70,057	63,635	9.17	(8.35)	0.63	(8.10)
Principal business by products						
Hot rolled products	25,316	23,326	7.86	1.17	9.43	(6.95)
Cold rolled products	24,159	21,306	11.81	(18.65)	(12.82)	(5.89)
Medium and thick plates	10,405	9,518	8.52	(15.02)	8.90	(20.10)
Other steel products	7,518	6,508	13.43	(18.31)	(19.70)	1.50

240

PUBLIC FILE

Report of the Directors *(continued)*

PRINCIPAL BUSINESS *(continued)*

Principal business of the Group by industries and products (prepared in accordance with the PRC Accounting Standards) *(continued)*

Notes:

1) The increase in operating revenue and operating cost of hot rolled products was mainly due to the realization of production capacity of the 1,580 hot rolled sheet production line of Bayuquan Branch, which resulted in the growth in sales volume of hot rolled sheets. The decrease in gross profit margin was due to the more significant decrease in product prices than that in costs of raw materials.

2) The decrease in operating revenue of cold rolled products was mainly attributable to the decrease in product prices. The decrease in operating cost was due to i) the decrease in costs of raw materials; and ii) the decrease in processing cost as a result of the enhancement of cost control. The decrease in gross profit margin was owing to the more significant decrease in product prices than that in costs of raw materials.

3) The decrease in operating revenue of medium and thick plates was mainly due to the decrease in product prices; the increase in operating cost was primarily due to the growth in sales volume of heavy plate products, the decrease in gross profit margin was principally owing to the more significant decrease in product prices than that in the costs of raw materials.

4) The decrease in operating revenue of other steel products was mainly due to decrease in product prices, the decrease in operating cost was due to i) the decrease in costs of raw materials, and ii) the decrease in processing cost as a result of the enhancement of cost control, the increase in gross profit margin was mainly due to the relatively slight decrease in product prices as the costs of heavy section decreased.

PUBLIC FILE

PRINCIPAL BUSINESS (continued)

Segmental information of operating revenue of the Group by geographical locations of sales (prepared in accordance with the PRC Accounting Standards)

Unit: RMB million

	Operating revenue	Increase/ decrease in operating revenue compared with the previous year (%)
Northeast China	24,005	(10.16)
North China	11,088	9.54
East China	17,778	8.70
South China	11,374	15.59
Central south China	1,235	(7.68)
Northwest China	690	(32.75)
Southwest China	447	36.57
Export sales	3,509	(74.73)
Total	70,126	(11.92)

PROFIT DISTRIBUTION FOR THE REPORTING PERIOD

On 12 June 2009, the Company convened its 2008 annual general meeting in Anshan, at which the 2008 profit distribution plan was considered and approved. It was resolved to distribute a cash dividend of RMB2.1 per 10 shares based on the total share capital of 7,234,807,847 shares. On 30 June 2009, the Company distributed cash dividends to holders of H shares. The applicable exchange rate was the average of the basic exchange rate of Renminbi and Hong Kong dollar announced by the Bank of China one calendar week prior to the holding of the shareholder meeting, being HK$100 to RMB88.17. The cash dividends actually paid to holders of H shares was HK$259 million. On 26 June 2009, the Company distributed cash dividends to holders of circulating A shares and state-owned shares, totaling RMB1,291 million. The cash dividends for 2008 distributed by the Company were RMB1,519 million in total.

PUBLIC FILE

Report of the Directors *(continued)*

SHARES HELD BY DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

As at 31 December 2009, effective interests in the Company's issued share capital held by Directors, Supervisors and senior management were as follows:

Name	Position	Gender	Age	Terms of appointment	Number of shares held as at 1 January 2009 *(Share)*	Number of shares held as at 31 December 2009 *(Share)*	Reason of Change
Zhang Xiaogang	Chairman	Male	56	2009.06 – present	0	0	–
Yang Hua	Vice Chairman	Male	48	2009.06 – present	0	0	–
Chen Ming	Vice Chairman	Male	49	2009.06 – present	610	610	
	Acting General Manager			2009.06 – present			
Yu Wanyuan	Director	Male	49	2009.06 – present	16,317	16,317	–
Fu Jihui	Director, Secretary to the Board	Male	58	2009.06 – present	8,540	8,540	–
Li Shijun	Independent Non-executive Director	Male	66	2009.06 – present	0	0	–
Ma Guoqiang	Independent Non-executive Director	Male	56	2009.06 – present	0	0	–
Liu Wei	Independent Non-executive Director	Male	53	2009.06 – present	0	0	–
Kwong Chi Kit, Victor	Independent Non-executive Director	Male	43	2009.09 – present	0	0	–
Wen Baoman	Chairman of the Supervisory Committee	Male	59	2009.06 – present	0	0	–
Shan Mingyi	Supervisor	Male	56	2009.06 – present	5,124	5,124	–
Xing Guibin	Supervisor	Male	50	2009.06 – present	0	0	–
Zhang Lifen	Deputy General Manager	Female	45	2009.11 – present	0	0	–
Fu Wei	Deputy General Manager	Male	50	200[illegible].08 – present	15,372	15,372	–
Ma Lianyong	Chief Accountant	Male	48	2002.03 – present	0	0	–

Notes: All the shares mentioned above are A shares of the Company. Such shares were held by the persons mentioned above in the capacity of individual beneficial owner except for Mr. Chen Ming, Mr. Yu Wanyuan and Mr. Shan Mingyi in the capacity of family interest (held by his spouse).

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed above, as at 31 December 2009, none of the Directors, Supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under Section 352 of the SFO, or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules")

POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHAREHOLDERS OF THE COMPANY

1. Mr. Zhang Xiaogang, Chairman of the Company, has served as the General Manager of Angang Holding, the controlling shareholder of the Company since January 2007.

2. Mr. Yu Wanyuan, Director of the Company, has served as the Deputy General Manager of Angang Holding since December 2001

3. Mr. Wen Baoman, Chairman of the Supervisory Committee of the Company, has served as the Deputy Secretary of Party Committee of Angang Holding since May 2005.

PUBLIC FILE

Report of the Directors *(continued)*

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of each of the Directors, Supervisors and Senior Management was proposed by the Remuneration and Evaluation Committee under the Board and the Supervisory Committee respectively. Such remuneration has been approved upon discussion by the Board and the Supervisory Committee, and proposed for approval by the shareholders at the general shareholder meeting. Such remuneration was determined according to the business performance of the Company and the remuneration offered by comparable enterprises in the PRC.

Name	Position	Total remuneration received from the Company during the reporting period (Inclusive of tax) *(RMB0'000)*	Whether receiving remuneration from the shareholders of the Company or other associated entities
Zhang Xiaogang	Chairman	—	Yes
Yang Hua	Vice Chairman	41.7	No
Chen Ming	Vice Chairman, Acting General Manager	16.6	Yes, receiving annual remuneration for his service in Angang Holding in 2008
Yu Wanyuan	Director	—	Yes
Fu Jihui	Director, Secretary to the Board	24.2	No
Li Shijun	Independent Non-executive Director	5.3	No
Ma Guoqiang	Independent Non-executive Director	5.3	No
Liu Wei	Independent Non-executive Director	5.3	No
Kwong Chi Kit, Victor	Independent Non-executive Director	5.3	No
Wen Baoman	Chairman of the Supervisory Committee	—	Yes
Shan Mingyi	Supervisor	24.3	No
Xing Guibin	Supervisor	12.5	No
Zhang Lifen	Deputy General Manager	17.1	No
Fu Wei	Deputy General Manager	24.1	No
Ma Lianyong	Chief Accountant	24.6	No
Total	—	206.3	—

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

Note: The total remuneration above did not include the Company's contribution to retirement schemes and other welfare funds.

The remuneration of Ms Zhang Lifen was the remuneration for her term of office as the supervisor of the Company from January to June 2009 and her term of office as the deputy general manager of the Company from November to December 2009.

RESIGNATION, APPOINTMENT OR DISMISSAL OF THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

1. The first extraordinary general meeting for 2009 was held on 6 February 2009, at which Mr. Chen Ming was elected as the director of the fourth session of the Board.

2. The annual general meeting for 2008 was held on 12 June 2009, at which Mr. Zhang Xiaogang, Mr. Tang Fuping, Mr. Yang Hua, Mr. Yu Wanyuan, Mr. Chen Ming, Mr. Fu Jihui, Mr. Ma Guoqiang, Mr. Liu Wei and Mr. Li Shijun were elected as the directors of the fifth session of the Board, among which Mr. Ma Guoqiang, Mr. Liu Wei and Mr. Li Shijun were independent non-executive directors.

3. The annual general meeting for 2008 was held on 12 June 2009, at which Mr. Wen Baoman and Mr. Shan Mingyi were elected as the shareholders' representative supervisors of the fifth session of the Supervisory Committee. Mr. Xing Guibin was elected as the staff representative supervisor of the fifth session of the Supervisory Committee of the Company through democratic means by the staff of the Company on 5 June 2009. Mr. Wen Baoman, Mr. Shan Mingyi and Mr. Xing Guibin constituted the fifth session of the Supervisory Committee of the Company.

PUBLIC FILE

RESIGNATION, APPOINTMENT OR DISMISSAL OF THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(continued)*

4. The 1st meeting of the fifth session of the Board on 26 June 2009, at which the following proposals were passed:

    (1) Elected Mr. Zhang Xiaogang as Chairman of the fifth session of the Board of the Company;

    (2) Elected Mr. Yang Hua and Mr. Chen Ming as Vice Chairman of the fifth session of the Board of the Company;

    (3) Appointed Mr. Fu Jihui as secretary to the fifth session of the Board of the Company;

    (4) Agreed Mr. Tang Fuping's resignation as the general manager, Vice Chairman and director of the Company.

    (5) Approved Mr. Chen Ming, deputy general manager of the Company, to act as the acting general manager.

5. The 1st meeting of the fifth session of the Supervisory Committee was convened on 26 June 2009, at which Mr. Wen Baoman was elected as the Chairman of the fifth session of the Supervisory Committee of the Company.

6. The second extraordinary general meeting for 2009 was convened on 18 September 2009, at which Mr. Kwong Chi Kit, Victor was elected as the independent director of the fifth session of the Board.

7. The 7th meeting of the fifth session of the Board was convened on 5 November 2009, at which the appointment of Ms. Zhang Lifen as the deputy general manager of the Company was passed.

OPERATIONS AND RESULTS OF THE MAJOR CONTROLLED COMPANIES AND JOINT VENTURES (PREPARED UNDER THE PRC ACCOUNTING STANDARDS)

No.	Name of controlled company or joint venture	Shareholding	Major products or services	Registered capital	Total assets as at 31 December 2009 *(RMB million)*	Net profit for 2009 *(RMB million)*
1	Angang Steel Logistics (Wuhan) Company Limited	100%	Production, processing, wholesale and retail business of steel and relevant products	RMB360 million	51	1
2	Tianjin Angang Tian Tie Cold Rolled Sheets Company Limited	50%	Steel rolling processing production, processing and sale of cold rolled sheets, galvanized steel and colour coated sheets, technology consultation and technology service for metallurgical equipments (exclusive of intermediaries), import and export business	RMB3,700 million	7,593	(32)
3	ANSC-TKS Galvanizing Co., Ltd. ("ANSC-TKS")	50%	Production of rolled hot dip galvanised steel products and microalloyed steel plate and stripe products, sale of self-produced products and provision of after-sales services	US$132 million	2,685	146
4	ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Company Limited	50%	Processing of steel products, and manufacturing, distribution and sale of structural steel	RMB380 million	1,641	14
5	Changchun FAM Steel Processing and Distribution Co., Ltd.	50%	Processing and production of steel products and other related services	RMB90 million	307	10
6	TKAS (Changchun) Steel Service Center Ltd. (formerly known as ANSC-TKS Steel Logistics (Changchun) Company Limited)	50%	Production, processing, sale of steel materials and other related commercial activities	US$12 million	414	7

PUBLIC FILE

Report of the Directors *(continued)*

OPERATIONS AND RESULTS OF THE MAJOR CONTROLLED OR INVESTED COMPANIES (PREPARED UNDER THE PRC ACCOUNTING STANDARDS) *(continued)*

Of which, the impact of ANSC-TKS on the net profit of the Company for 2009 reached more than 10%. The principal operating income of ANSC-TKS in 2009 amounted to RMB2,033 million and the operating profit amounted to RMB147 million.

MAJOR SUPPLIERS AND CUSTOMERS

The total amount of purchase from the Company's five largest suppliers was RMB36,527 million, representing 62.59% of the Company's total purchase for the year, 27.19% of which was attributable to the Company's largest supplier. The sales to the Company's five largest customers aggregated to RMB15,265 million, representing 21.99% of the Company's total turnover for the year and the largest customer accounted for 7.94%.

Except for those disclosed in this report, none of the Directors, supervisors and their associates nor any shareholder (which to the knowledge of the Directors hold 5% or more of shares in the Company) had any interest in any of the aforementioned suppliers or customers of the Company during 2009.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Mr. Kwong Chi Kit, Victor, an Independent Director of the Company who has been a Director since 18 September 2009, entered into a service contract with the Company starting from 18 September 2009. Other Directors and supervisors have entered into service contracts with a term of three years starting from 12 June 2009. All Directors and Supervisors' contracts of the Company shall expire upon the election of Directors of the sixth session of the Board at the 2011 Annual General Meeting. No Director or Supervisor has entered into any service contract with the Company which may be terminated by the Company within one year and compensation shall be paid other than statutory compensation.

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 securities.

PRE-EMPTIVE RIGHTS

In accordance with the articles of association of the Company and the laws of the PRC, no pre-emptive rights exist to require the Company to offer new shares to the existing shareholders in proportion to their shareholdings

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

In 2009, none of the Directors or Supervisors of the Company had any material interests in any contracts in which the Company, or the holding Company or any of its subsidiaries were involved.

FIXED ASSETS

Changes in the fixed assets during the year are set out in note 12 to financial statements prepared in accordance with IFRSs on pages 238 to 239 of this report.

OPERATING RESULTS

The results of the Company for the year ended 31 December 2009 and its financial position as at that date are set out in the financial statements prepared in accordance with IFRSs included in this report.

SHARE CAPITAL

Changes in share capital during the year are set out in note 26 to the financial statements prepared in accordance with IFRSs on pages 249 to 250 of this report

RESERVES

Changes in the reserves during the year are set out in note 28 to financial statements prepared in accordance with IFRSs on pages 251 to 252 of this report.

EMPLOYEE RETIREMENT SCHEME

Details of the employee retirement scheme of the Company are set out in note 34 to financial statements prepared in accordance with IFRSs on page 261 of this report.

CONTINUING CONNECTED TRANSACTIONS

Details of continuing connected transactions for the year are set out on pages 77 to 84 of this report.

FIVE-YEARS SUMMARY

A summary of the results and balance sheet of the Company for the past five years is set out on pages 269 to 270 of this report.

PUBLIC FILE

Report of the Directors (continued)

CHAPTER 13 DISCLOSURE

The Directors confirmed that there was no matter occurring in 2009 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor did the Company sign loan agreements imposing specific performance obligations on the controlling shareholders.

SUFFICIENT PUBLIC SHAREHOLDINGS

According to the information obtained by the Company through public channels, and so far as the Directors are aware of as at the latest practical date before the publishing of this annual report, the Company has been maintaining sufficient public shareholdings to comply with the Hong Kong Listing Rules during the year

AUDITORS

RSM Nelson Wheeler (Certified Public Accountants in Hong Kong) and RSM China Certified Public Accountants (Registered Accountants in the PRC) were appointed as the Company's international and domestic auditors respectively in 2009.

A resolution for the appointment of RSM China Certified Public Accountants and RSM Nelson Wheeler as the Company's domestic and international auditors, respectively, for 2010 will be proposed at the 2009 Annual General Meeting to be held on 18 June 2010.

WORKING REPORT OF THE BOARD

The Board meetings during the reporting period

1. The fourth session of the Board of the Company convened the 33rd meeting on 5 January 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 6 January 2009.

2. The fourth session of the Board of the Company convened the 34th meeting on 17 February 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 18 February 2009.

3. The fourth session of the Board of the Company convened the 35th meeting on 14 April 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 15 April 2009.

4. The fourth session of the Board of the Company convened the 36th meeting on 27 April 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 28 April 2009.

WORKING REPORT OF THE BOARD (continued)

The Board meetings during the reporting period (continued)

5. The fifth session of the Board of the Company convened the 1st meeting on 26 June 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 27 June 2009.

6. The fifth session of the Board of the Company convened the 2nd meeting on 22 July 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 23 July 2009.

7. The fifth session of the Board of the Company convened the 3rd meeting on 10 August 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 11 August 2009.

8. The fifth session of the Board of the Company convened the 4th meeting on 17 August 2009, at which 2009 Interim Report was considered and approved.

9. The fifth session of the Board of the Company convened the 5th meeting on 28 August 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 29 August 2009.

10. The fifth session of the Board of the Company convened the 6th meeting on 27 October 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 28 October 2009.

11. The fifth session of the Board of the Company convened the 7th meeting on 5 November 2009, announcement of resolutions in respect of which was published in China Securities Journal and Securities Times on 6 November 2009.

PUBLIC FILE

Report of the Directors *(continued)*

EXECUTION OF THE RESOLUTIONS PASSED AT GENERAL MEETINGS OF THE COMPANY BY THE BOARD

On 12 June 2009, the Company convened its 2008 annual general meeting in Anshan, at which the 2008 profit distribution plan was considered and approved. It was resolved to distribute a cash dividend of RMB2.1 per 10 shares based on the total share capital of 7,234,807,847 shares. On 30 June 2009, the Company distributed cash dividends to holders of H shares. The applicable exchange rate was the average of the basic exchange rate of Renminbi and Hong Kong dollar announced by the Bank of China one calendar week prior to the holding of the general shareholder meeting for that year, being HK$100 to RMB88.17. The cash dividends actually paid to holders of H shares was HK$259 million. On 26 June 2009, the Company distributed cash dividends to holders of circulating A shares and state-owned shares; in a total amount of RMB1,291 million. The cash dividend for 2008 distributed by the Company was RMB1,519 million in total.

PERFORMANCE OF DUTIES OF AUDIT COMMITTEE UNDER THE BOARD

For performance of duties by the audit committee, please refer to the content concerning Audit Committee in Corporate Governance Report as set out in page 69 of this report.

PERFORMANCE OF DUTIES OF REMUNERATION AND EVALUATION COMMITTEE UNDER THE BOARD

Please refer to the content concerning Remuneration and Evaluation Committee in Corporate Governance Report as set out in page 66 of this report.

ESTABLISHMENT OF REGULATIONS

On 19 April 2010, the "Management System for Persons Utilizing External Information" and the "Management System for Persons Informed of Insider Information" were considered and approved at the 10th meeting of the fifth session of the Board of the Company.

By order of the Board
Zhang Xiaogang
Chairman

19 April 2010

Report of the Supervisory Committee

During the year, members of the Supervisory Committee duly fulfilled their duties in accordance with the Company Law and the articles of association of the Company in order to protect the lawful interests of the Company and its shareholders.

(I) The Supervisory Committee attended three general meetings and four Board meetings of the Company as non-voting participants and convened five supervisory meetings. The Supervisory Committee has given independent opinions and advices on the basis of their full knowledge of the Company's major production and operation decisions and implementation process.

1. The fourth Supervisory Committee of the Company convened the 14th meeting on 14 April 2009, at which the following resolutions were considered and approved:

    (1) To approve the Company's annual report for 2008 and its summary;

    (2) To approve the work report of the Supervisory Committee of the Company for 2008;

    (3) To approve the proposed remuneration for supervisors of the Company for 2008;

    (4) To approve the self-evaluation report on internal control of the Company for 2008;

    (5) To pass the resolution in relation to the election of members of the fifth session of the Supervisory Committee

2. The fourth Supervisory Committee of the Company convened the 15th meeting on 27 April 2009, at which the following resolutions were considered and approved:

    (1) To approve the 2009 First Quarterly Report of the Company;

    (2) To approve the proposal for the adjustment on the relevant information of the same period last year of the first quarterly financial statements of the Company.

3. The fifth Supervisory Committee of the Company convened the 1st meeting on 26 June 2009, at which the following resolutions were considered and approved:

    (1) To elect Mr. Wen Baoman as the Chairman of the fifth session of the Supervisory Committee of the Company;

    (2) To pass the proposal for the amendment of the Rules of Procedure for Supervisory Committee Meetings

PUBLIC FILE

Report of the Supervisory Committee *(continued)*

4. The fifth Supervisory Committee of the Company convened the 2nd meeting on 17 August 2009, at which the 2009 Interim Report of the Company and its summary were considered and approved.

5. The fifth Supervisory Committee of the Company convened the 3rd meeting on 27 October 2009, at which the 2009 Third Quarterly Report of the Company were considered and approved.

(II) In 2009, the Supervisory Committee of the Company also monitored the Company's operations to ensure compliance with the relevant laws and regulations, such as the Company Law, and the articles of association of the Company. It examined the connected transactions entered into between the Company and Angang Holding and reviewed the relevant information in order to ensure the fairness of such transactions.

The Supervisory Committee had given independent opinions on the following issues:

1. During the year, the Company's operations had complied with all relevant laws and regulations and no violation of regulations had occurred. The Company has comprehensive internal control system and the decision making procedure of the Company complied with applicable laws and regulations.

2. None of the Directors and senior management had violated any laws or regulations or the articles of association of the Company when performing their duties or have otherwise acted in a manner as to infringe upon the interests of the Company.

3. The Company's financial report truly reflected the Company's financial position and operating results.

4. The Company's actual application of the latest funds raised was in line with the projects undertaken.

5. The acquisitions and disposals of assets were carried out by the Company at reasonable prices and there was no insider dealing or any damage to part of the shareholders' interests or any loss to the Company's assets

6. During the year, routine continuing connected transactions and other connected transactions were conducted on a fair basis in the Company's production and operation. There was no insider dealing and the interests of the Company were not adversely affected.

On behalf of the Supervisory Committee
Wen Baoman
Chairman of the Supervisory Committee

19 April 2010

PUBLIC FILE

1. BUSINESS REVIEW

Confronted with the attack and impact from the global financial crisis in 2009, thanks to concerted efforts of our staff and flexible countermeasures, we made progress in each tasks.

(1) Operating Results

Based on the IFRSs, the Group recorded a profit for the year attributable to equity 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 weighted average basic earnings per share was RMB0.104.

Based on the PRC Accounting Standards, the Group recorded a net profit attributable to 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.

(2) Analysis on the Group's Financial and Operational Status

Under the PRC Accounting Standards *Unit: RMB million*

Item	2009	2008	Change %
Total assets	**100,987**	92,184	9.55
Non-current liabilities	**11,702**	17,753	(34.08)
Shareholders' equity	**53,798**	53,108	1.30
Operating revenue	**70,126**	79,616	(11.92)
Profit from operations	**789**	3,868	(79.60)
Net profit	**686**	2,981	(76.99)
Net increase in cash and cash equivalents	**(732)**	(4,759)	84.62

PUBLIC FILE

Management Discussion
and Analysis *(continued)*

1. BUSINESS REVIEW *(continued)*

(2) Analysis on the Group's Financial and Operational Status *(continued)*

Under the IFRSs

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 at banks, cash and cash equivalents	**(732)**	(4,759)	84.62	E

1. BUSINESS REVIEW *(continued)*

(2) Analysis on the Group's Financial and Operational Status *(continued)*

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 Company.

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 shareholders 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 shareholders of the listed 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 attributable to shareholders 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 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.

Management Discussion
and Analysis *(continued)*

PUBLIC FILE

1. BUSINESS REVIEW *(continued)*

(3) Analysis on the changes of financial figures including the Group's assets and expenses (prepared under the PRC Accounting Standards)

Unit: RMB million

Item of Balance Sheet	31 December 2009 Amount	31 December 2009 As a percentage in total assets (%)	31 December 2008 Amount	31 December 2008 As a percentage in total assets (%)	Increase / (decrease) of percentage in total assets compared with the previous year (percentage points)
Bills receivable	**3,396**	**3.36**	2,583	2.80	0.56
Accounts receivable	**1,770**	**1.75**	1,235	1.34	0.41
Prepayments	**6,212**	**6.15**	2,731	2.96	3.19
Available-for-sale financial assets	**161**	**0.16**	45	0.05	0.11
Fixed assets	**53,805**	**53.28**	43,252	46.92	6.36
Construction materials	**2,334**	**2.31**	6,242	6.77	(4.46)
Short-term loans	**13,710**	**13.58**	7,570	8.21	5.37
Advances from customers	**5,942**	**5.88**	3,629	3.94	1.94
Non-current liabilities due within one year	**7,653**	**7.58**	1,031	1.12	6.46
Long term loans	**11,502**	**11.39**	17,565	19.05	(7.66)

221

PUBLIC FILE

1. BUSINESS REVIEW *(continued)*

(3) Analysis on the changes of financial figures including the Group's assets and expenses (prepared under the PRC Accounting Standards) *(continued)*

Notes: In preparing financial statements of the Group, its assets were measured at historic cost but available-for-sale financial assets were measure at fair value subsequent to initial recognition.

1) The increase of RMB813 million in bills receivable as compared with the end of last year was mainly attributable to (1) increased payment from sales of the Company as a result of an increase in resources, (2) increase in bills receivable of RMB238 million as a result of the consolidation of financial statements of Angang Tian Tie and the Company.

2) The increase of RMB535 million in accounts receivables as compared with the end of last year was mainly due to the increase in payments in arrear and sales receivables from steel distributors and such other factors as a result of the steel market condition.

3) The increase of RMB3,481 million in prepayments as compared with the end of last year was mainly attributable to: (1) increased prepayment for imported raw fuel; and (2) increased prepayment of RMB918 million as a result of the consolidation of financial statements of Angang Tian Tie and the Company.

4) The increase of RMB116 million in available-for-sale financial assets as compared with the end of last year was due to the increase in fair value of available-for-sale financial assets for 10,000,000 shares in Zhuzhou Smelter Company Ltd of Hunan subscribed by the Company through non-public offering, which was at RMB16.16 per share as compared to RMB4.49 per share at the beginning of the year.

5) The increase of RMB10,553 million in fixed assets over the end of last year was mainly due to (1) the transfer from construction in progress to fixed assets after completion of Bayuquan project; and (2) the increase of RMB2,085 million in fixed assets as a result of the consolidation of financial statements of Angang Tian Tie and the Company

6) The decrease of RMB3,908 million in construction supplies as compared with the end of last year was mainly attributable to the consumption of construction materials.

7) The increase of RMB6,140 million in short-term loans was mainly attributable to (1) the increase of RMB4,630 million in loans for working capital of the Company; and (2) the increase of RMB1,510 million short-term loan as a result of consolidation of financial statements of Angang Tian Tie and the Company.

8) The increase of RMB2,313 million in advances from customers as compared with the end of last year was mainly attributable to: (1) the increase in advances due to price rebound of steel products, increased output of Bayuquan Company and increase in deposits from customers for increased orders, and (2) the increase of RMB350 million in advances from customers as a result of the consolidation of financial statements of Angang Tian Tie.

PUBLIC FILE

Management Discussion
and Analysis *(continued)*

1. BUSINESS REVIEW *(continued)*

(3) Analysis on the changes of financial figures including the Group's assets and expenses (prepared under the PRC Accounting Standards) *(continued)*

9) The increase of RMB6,622 million in non-current liabilities due within one year was mainly due to (1) the transfer of long-term borrowings due within one year; and (2) the increase of RMB315 million in long-term loans due within one year as a result of the consolidation of financial statements of Angang Tian Tie.

10) The decrease of RMB6,063 million in long-term loans was mainly attributable to the transfer of long-term loans due within one year into non-current liabilities due within one year

Unit: RMB million

Item of Income Statement	2009	2008	Increase (+)/ decrease (-) from the previous year *(%)*
Selling expenses	**1,081**	1,687	(35.92)
Administrative expenses	**2,962**	3,798	(22.01)
Financial expenses	**902**	694	29.97
Income tax expense	**157**	851	(81.55)

Notes:

1) The decrease of RMB606 million in selling expenses was mainly due to (1) the decrease in package expenses due to less package cost; and (2) the decrease in transportation expenses, export operation fee and consigned sale handling charge as a result of decreased export volume.

2) The decrease of RMB836 million in administrative expenses was primarily attributable to the decrease in the Company's staff remuneration, maintenance fee and other charges.

3) The increase of RMB208 million in financial expenses was mainly due to the (1) decrease in capitalized interest as a result of the completion of constructions; and (2) increased interest expenses due to the increase in loans of the Company.

4) The decrease of RMB694 million in income tax expense mainly was due to decreased profit of the Company.

PUBLIC FILE

1. BUSINESS REVIEW *(continued)*

(4) Components of cash flow generated from the Group's operating activities, investing activities and financing activities (prepared under the PRC Accounting Standards)

Unit: RMB million

Item	2009	2008	Main reason for change
Net cash flows from operating activities	**4,549**	11,938	The decrease in cash flow from operating activities as compared with last year was mainly due to the decrease in net profit, increase in operating receivables and the decrease in items payable
Net cash flows from investing activities	**(5,213)**	(15,554)	The decrease in net cash outflows from investing activities as compared with last year was mainly due to acquisition of fixed assets and the decreased expenses in construction in progress
Net cash flows from financing activities	**(68)**	(1,143)	The decrease in net cash flow from financing activities was due to (1) the increase in cash received from borrowings during the year; and (2) the decrease in cash payment for distribution of cash dividends

718

PUBLIC FILE

Management Discussion
and Analysis *(continued)*

1. BUSINESS REVIEW *(continued)*

(5) Items related to fair value measurement (under PRC Accounting Standards)

Unit: RMB million

Item	Balance at the beginning of the year	Gains or losses arising from changes in fair value for the period	Cumulative Gains or losses arising from changes in fair value previously reported in equity	Impairment made for the period	Balance at the end of the year
Financial assets					
including: 1. Financial assets at fair value through profit or loss	–	–	–	–	–
2. Available-for-sale financial assets	45	0	87	0	161
Subtotal of financial assets	45	0	87	0	161
Financial liabilities					
Total	45	0	87	0	161

The Company formulated Accounting Treatment Measures and other internal control policies relating to fair value measurement.

The Company has no financial assets in foreign currency

PUBLIC FILE

1. BUSINESS REVIEW *(continued)*

(6) 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 employees 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 employees 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.

2. 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 OF THE COMPANY

(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

3. 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 the end of 2008.

4. 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

5. 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.

6. 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).

7. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS OF THE GROUP FOR 2009, ANALYSIS ON SUCH CHANGES AND REASONS FOR CORRECTION AS WELL AS THE IMPACT THEREOF:

In accordance with the relevant requirements of the "Interpretation of Accounting Standards No 3" (Cai Kui [2009] No.8), the Company recognize safety production expenses in "special reserves". As a result of retrospective adjustment of this item, the beginning balance of shareholders' equity has increased by RMB5 million

214

PUBLIC FILE

Corporate Governance

1. STRUCTURE OF CORPORATE GOVERNANCE OF THE COMPANY

The Company operates strictly in accordance with the requirements of the Company Law, Securities Law, relevant rules of the China Securities Regulatory Commission as well as the Hong Kong Listing Rules and the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, and establishes a sound corporate governance system.

Four special committees have been set up by the Board with independent non-executive directors acting as conveners of the Remuneration and Appraisal Committee, the Audit Committee and the Nomination Committee, and accounting for the majority of such committees' members.

2. DISCHARGE OF DUTIES BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has formulated amendments to the Work System for Independent Directors in accordance with relevant regulations and laws, mainly including the qualifications, duties of independent non-executive directors, and the work procedures relating to this Annual Report. The independent non-executive directors have discharged their duties in accordance with the requirements of the relevant laws and regulations, reviewed carefully the financial and other relevant information of the Company and expressed their independent opinions on significant matters of the Company in order to safeguard the interests of the Company and the minority shareholders.

Attendance of the independent non-executive Directors at the Board meetings of the Company in 2009 are set out as follows:

Name of independent non-executive Director	Required attendance at the Board meetings (number of times)	Attendance in person (number of times)	Attendance by proxy (number of times)	Absence (number of times)	Remark
Li Shijun	7	7	0	0	Elected as an independent director of the Company in June 2009
Ma Guoqiang	7	7	0	0	Elected as an independent director of the Company in June 2009
Liu Wei	7	6	1	0	Elected as an independent director of the Company in June 2009
Kwong Chi Kit, Victor	2	2	0	0	Elected as an independent director of the Company in September 2009
Wu Xichun	4	4	0	0	Tenure expired as at June 2009
Wang Linsen	4	4	0	0	Tenure expired as at June 2009
Liu Yongze	4	4	0	0	Tenure expired as at June 2009
Francis Li Chak Yan	4	4	0	0	Tenure expired as at June 2009
Wang Xiaobin	4	3	1	0	Tenure expired as at June 2009

3. THE COMPANY IS COMPLETELY INDEPENDENT OF ITS CONTROLLING SHAREHOLDER IN TERMS OF BUSINESS, STAFF, ASSETS, ORGANIZATION, FINANCE, ETC. SUCH INDEPENDENT CORPORATE STRUCTURE AND OPERATION ARE IN COMPLIANCE WITH THE REQUIREMENTS OF THE RELEVANT LAWS AND REGULATIONS. THE COMPANY HAS AN INDEPENDENT AND COMPLETE BUSINESS AND IS CAPABLE OF OPERATING INDEPENDENTLY.

4. APPRAISAL AND INCENTIVE MECHANISM FOR THE SENIOR MANAGEMENT

The Company has set up position-based and risk-based annual salary distribution schemes for the senior management personnel. The position-based salary scheme is linked to the Company's overall operating results while the risk-based salary system is linked to the performance of and operational indicators assumed by individuals.

5. CORPORATE GOVERNANCE REPORT

(1) 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.

PUBLIC FILE

Corporate
Governance (continued)

5. CORPORATE GOVERNANCE REPORT (continued)

(2) Securities Transactions of Directors

The Board has adopted the relevant code for securities transactions by directors in compliance with the Hong Kong Listing Rules. In the responses to the special enquiries with each of directors, they have confirmed that they have complied with the standards set out in Appendix 10 to the Hong Kong Listing Rules.

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

(3) Independent Non-executive Directors

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

Pursuant to the requirements of the Hong Kong Stock Exchange, the Company has verified with its independent non-executive directors in respect of their independence as follows: the Company has accepted the written confirmation of each of the independent non-executive directors ascertaining that they are in compliance with Rule 3.13 of the Hong Kong Listing Rules in respect of their independence. The Company is of the opinion that all of the independent non-executive directors are independent.

PUBLIC FILE

5. CORPORATE GOVERNANCE REPORT *(continued)*

(4) The Board and its Special Committees

① Composition of the Board

The 5th session of the Board of the Company comprises 9 members including 1 Chairman, 4 executive directors and 4 independent non-executive directors. The number of independent non-executive directors of the Company represents over one-third of members of the Board.

The Board establishes 4 special committees, which are all comprised of directors. In particular, the majority of the members of the Audit Committee, Nomination Committee, Remuneration and Evaluation Committee are independent non-executive directors who are also the conveners. There is at least one independent non-executive director in the Audit Committee who possesses appropriate professional qualifications in accounting. Each of the special committees reports to the Board and submits proposals to the Board for consideration and approval. The members of the 5th session of the Board of the Company and their attendance in 2009 are as follows:

Name	Position in the Board	Attendance to meetings
Zhang Xiaogang	Chairman	100%
Yang Hua	Executive Director	100%
Chen Ming	Executive Director	100%
Yu Wanyuan	Executive Director	100%
Fu Jihui	Executive Director	100%
Li Shijun	Independent non-executive Director	100%
Ma Guoqiang	Independent non-executive Director	100%
Liu Wei	Independent non-executive Director	100%
Kwong Chi Kit, Victor	Independent non-executive Director	100%

The directors (including independent non-executive directors) are subject to a term of 3 years and may offer themselves for re-election.

5. CORPORATE GOVERNANCE REPORT (continued)

(4) The Board and its Special Committees (continued)

① Composition of the Board (continued)

The 4th session of the Board of the Company comprises 14 members including 1 Chairman, 7 executive directors, 1 non-executive director and 5 independent non-executive directors. The number of independent non-executive directors of the Company represents over one-third of members of the Board. The members of the 4th session of the Board of the Company and their attendance in 2009 are as follows:

Name	Position in the Board	Attendance to meetings
Zhang Xiaogang	Chairman	100%
Tang Fuping	Executive Director	100%
Yang Hua	Executive Director	100%
Chen Ming	Executive Director	100%
Wang Chunming	Executive Director	100%
Lin Daqing	Executive Director	100%
Fu Wei	Executive Director	100%
Fu Jihui	Executive Director, Secretary to the Board	100%
Yu Wanyuan	Non-executive Director	100%
Wu Xichun	Independent non-executive Director	100%
Wang Linsen	Independent non-executive Director	100%
Liu Yongze	Independent non-executive Director	100%
Francis Li Chak Yan	Independent non-executive Director	100%
Wang Xiaobin	Inependednt non-executive Director	100%

5. CORPORATE GOVERNANCE REPORT *(continued)*

(4) The Board and its Special Committees *(continued)*

② Duties and Operation of the Board

The Board is accountable to the general meetings and exercises the following powers:

i. to convene and report to shareholders at the general meetings;

ii. to implement the resolutions passed at the general meetings;

iii. to decide the Company's business and investment plans;

iv. to prepare the Company's annual budget and its implementation plan;

v. to prepare the Company's profit distribution plan and loss recovery plan;

vi. to prepare the proposals for the increase or reduction of the Company's registered capital, issue of debentures or other securities as well as listing;

vii. to draw up plans for significant acquisition by the Company, purchase of the Company's shares or the merger, division and dissolution of the Company and change of corporate form;

viii. to determine the Company's internal management structure;

ix. to appoint or dismiss the Company's manager and the Secretary to the Board, to appoint or dismiss the Company's deputy general manager and other senior management including financial controller as nominated by the manager, and determine their remunerations, awards and punishment;

x. to prepare the Company's basic management system;

xi. to prepare amendments to the articles of association of the Company.

5. CORPORATE GOVERNANCE REPORT *(continued)*

(4) The Board and its Special Committees *(continued)*

② Duties and Operation of the Board

Save for the resolutions in respect of the matters specified in sub-paragraphs vi, vii and xi above, which shall be passed by votes of more than two-thirds of the directors, the resolutions in respect of other matters specified above may be passed by votes of at least half of the directors.

The Board of the Company is responsible for the preparation of the financial statements for each financial period, which gives a true and fair view of the state of affairs, results and cash flows of the Company during the relevant period.

In 2009, the Board of the Company held a total of 11 Board meetings.

③ Remuneration and Evaluation Committee

The members of the Remuneration and Evaluation Committee of the 5th session of the Board of the Company and their attendance in 2009 are as follows:

Name	Position in the Board	Attendance to meetings
Liu Wei	convener	100%
Li Shijun	member	100%
Yang Hua	member	100%
Yu Wanyuan	member	100%

5. CORPORATE GOVERNANCE REPORT *(continued)*

(4) The Board and its Special Committees *(continued)*

③ Remuneration and Evaluation Committee *(continued)*

The members of the Remuneration and Evaluation Committee of the 4th session of the Board of the Company and their attendance in 2009 are as follows:

Name	Position in the Board	Attendance to meetings
Francis Li Chak Yan	convener	100%
Tang Fuping	member	100%
Wang Chunming	member	100%
Wu Xichun	member	100%
Liu Yongze	member	100%

Main duties of the Remuneration and Evaluation Committee are.

i. to research the assessment criteria of directors and senior management; to carry out the assessment and provide advices; and

ii. to study and review the remuneration policies and proposals of employment for the directors and senior management

In 2009, the Remuneration and Evaluation Committee of the Company held 1 meeting. During the meeting, the performance of the directors and senior management personnel of the Company during 2008 was assessed and their remunerations during 2008 were reviewed, and submitted to the Board for consideration.

In April 2010, the Remuneration and Evaluation Committee of the Company held a meeting, at which the performance of directors and senior management personnel of the Company during 2009 was assessed and the corresponding remunerations during 2009 were examined. The Remuneration and Evaluation Committee was of opinion that remunerations of directors and senior management personnel in 2009 were linked to overall operating results, performance and operating indicators assumed by individuals, which played an active role in stimulating the initiatives of directors and senior management personnel and was in line with the level of domestic counterparts.

PUBLIC FILE

5. CORPORATE GOVERNANCE REPORT *(continued)*

(4) The Board and its Special Committees *(continued)*

④ Nomination Committee

The members of the Nomination Committee of the 5th session of the Board of the Company and their attendance in 2009 are as follows.

Name	Position in the Board	Attendance to meetings
Li Shijun	convener	100%
Zhang Xiaogang	member	100%
Ma Guoqiang	member	100%
Fu Jihui	member	100%

The members of the Nomination Committee of the 4th session of the Board of the Company and their attendance in 2009 are as follows:

Name	Position in the Board	Attendance to meetings
Wang Linsen	convener	100%
Zhang Xiaogang	member	100%
Yang Hua	member	100%
Wang Chunming	member	100%
Liu Yongze	member	100%

Main duties of the Nomination Committee are:

i. to study the criteria and procedures of selection of directors and senior management, and provide suggestions;

ii. to conduct extensive search for qualified candidates of directors and senior management personnel; and

iii. to assess the candidates for directors and senior management and provide relevant recommendations.

PUBLIC FILE

5. CORPORATE GOVERNANCE REPORT *(continued)*

(4) The Board and its Special Committees *(continued)*

④ Nomination Committee *(continued)*

In 2009, the Nomination Committee of the Company held 4 meetings to nominate directors and senior management in accordance with the qualification requirements and the relevant laws and regulations and the articles of association of the Company and to submit the same for the consideration of the Board.

⑤ Audit Committee

The members of the Audit Committee of the 5th session of the Board of the Company and their attendance in 2009 are as follows:

Name	Position in the Board	Attendance to meetings
Ma Guoqiang	convener	100%
Liu Wei	member	100%
Yu Wanyuan	member	100%
Chen Ming	member	100%

The members of the Audit Committee of the 4th session of the Board of the Company and their attendance in 2009 are as follows:

Name	Position in the Board	Attendance to meetings
Liu Yongze	convener	100%
Yu Wanyuan	member	100%
Wang Linsen	member	100%
Francis Li Chak Yan	member	100%

5. CORPORATE GOVERNANCE REPORT *(continued)*

(4) The Board and its Special Committees *(continued)*

⑥ Audit Committee *(continued)*

- Main duties of the Audit Committee are:

  i. to make proposals in relation to the engagement and change of external auditors;

  ii. to supervise the Company's internal auditing system and implementation;

  iii. to facilitate communication between internal auditing department and external auditors;

  iv. to review financial information of the Company and its disclosure; and

  v. to review the Company's internal control system.

The Audit Committee of the Company reviewed the internal control system and report of the Company with reference to the latest requirements set out in Rule C.2.2 of the CG Code of the Listing Rules of the Stock Exchange, taking into account of the resources of the accounting and financial reporting of the Company, the sufficiency of qualifications and experience of its staff and the training courses for employees and the relevant budget. It will also submit the reviewed internal control report to the Board of the Company for consideration.

In 2009, the Audit Committee of the Company held a total of 4 meetings. During the meetings, the Audit Committee reviewed the quarterly, interim and annual financial statements and financial information set out in the quarterly, interim and annual reports of the Company, reviewed the internal control system of the Company, and made recommendations in relation to the engagement of external auditors.

The Audit Committee and the management of the Company have jointly inspected the Company's accounting policy and have discussed on the issues in relation to the auditing, internal control and financial statements of the Company, including a review of the audited financial statements for the year ended 31 December 2009.

PUBLIC FILE

5. CORPORATE GOVERNANCE REPORT *(continued)*

(4) The Board and its Special Committees *(continued)*

5 Audit Committee *(continued)*

In accordance with relevant regulations of CSRC and Shenzhen Stock Exchange, the Audit Committee of the Company performed their duties with due diligence, and summarised its performance as follows:

Opinions after reviewing the 2009 Annual Report

The Company's financial statements for 2009 was prepared based on the requirements of the Accounting Standard for Business Enterprises; expenditures were reasonable; revenues, expenses and profits were recognized truly and accurately; relevant provisions were made as specified by the laws, regulations and relevant systems, which reflected the Company's financial positions and operating results and cash flow on a true, accurate and complete basis; it was approved to be submitted to the Board of the Company for consideration.

Review opinions on the Audit Work Summary by Accountants for 2009

Zhong Rui Yue Hua Certified Public Accountants and RSM Nelson Wheeler performed their duties during the auditing the Company's financial statements for 2009 in accordance with relevant laws and regulations of the PRC and Hong Kong and in compliance with professional ethics of accountants, and expressed their opinion on the Company's financial statements, enabling the Company to satisfy the requirements from the domestic and overseas regulatory institutions.

Review opinions on the Appointment of RSM China Certified Public Accountants and RSM Nelson Wheeler as Domestic and Overseas Auditors of the Company for 2010

The Board is proposed to appoint RSM China Certified Public Accountants and RSM Nelson Wheeler as domestic and overseas auditors of the Company for 2010 with a term from the close of Annual General Meeting for 2009 to the time of convening of Annual General Meeting for 2010.

5. CORPORATE GOVERNANCE REPORT *(continued)*

(5) Chairman and General Manager

The positions of Chairman and General Manager of the Company are assumed by different persons with definite division of duties.

Duties of the Chairman:

i. to preside over the shareholders' general meetings and to convene and preside over the Board meetings;

ii. to supervise and check the implementation of resolutions of the Board;

iii. to sign the share certificates issued by the Company; and

iv. to exercise other powers conferred by the Board.

Duties of the General Manager:

The General Manager of the Company reports to the Board and exercises the following powers:

i. to take charge of the Company's operation and management and to organize and implement the resolutions of the Board and report to the Board;

ii. to organize and implement the Company's annual business plan and investment plan;

iii. to make proposals in relation to the Company's internal organizational structure;

iv. to make proposals in relation to the Company's basic management system;

v. to prepare the basic rules and regulations of the Company;

vi. to make proposals in relation to the appointment or termination of appointment of the deputy general manager or other senior management personnel of the Company (including the financial controller);

vii. to appoint or dismiss the management personnel other than those required to be appointed or dismissed by the Board; and

viii. other powers as conferred under the articles of association of the Company or granted by the Board.

5. CORPORATE GOVERNANCE REPORT *(continued)*

(6) Auditors' Remuneration

RSM China Certified Public Accountants and RSM Nelson Wheeler were appointed at the 2008 annual general meeting of the Company as the domestic and international auditors of the Company, respectively, for the year 2009. The remuneration of the Company's auditors for 2009 amounted to RMB6.10 million. The Company reimbursed the auditors out of pocket expenses arising from auditing. RSM China Certified Public Accountants and RSM Nelson Wheeler Certified Public Accountants had provided auditing services to the Company for two consecutive years.

(7) Internal control

To further improve the internal control system, in accordance with the requirements of the Company Law, Securities Law, relevant rules of the China Securities Regulatory Commission, the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, the Rules for Corporate Governance of Listed Companies and Guidance for Internal Control of Listed Company of the Shenzhen Stock Exchange, the Company amended "Procedures for Administration of Internal Control of Listed Company" (2010 revised) (《上市公司內部控制管理辦法》). To integrate and improve the internal control system, the "Handbook on Outstanding and Efficient Management" (《卓越績效管理手冊》) was prepared based on a systematic integration of the requirements of internal control system and the requirements of the Company's management mode on outstanding and efficient performance, with reference to the actual situation of the needs for operation development, organizational structure and operating targets. The internal control system of the Company has fully taken into consideration of regulations and laws as well as other relevant requirements including the listing rules. There are no material shortcomings and abnormality in the completeness, systematism, efficiency and compliance in the current internal control system, thus providing reasonable assurance to honest and legal operation, true and reliable financial reports, improvement in operation efficiency and results and avoidance of predicable significant risks of the Company. Accordingly, it will help the Company realize its operational targets and gradually perfect its performance.

5. CORPORATE GOVERNANCE REPORT *(continued)*

(7) Internal control *(continued)*

The Company has been equipped with internal auditing mechanism, which requires an overall evaluation of the internal control system on a regular basis. The daily auditing is exercised by functional departments and front units of the Company by adopting on a uniform basis of the mode of "internal review of management", focusing on activities including examination of financial control, operational control, legal compliance control, and risk control. Moreover, the auditing also covers the resources for accounting and financial reporting, sufficiency of qualifications and experiences of employees and the sufficiency of the training courses for employees and the related budget. Major part of internal control mechanism is to supervise and ensure the effective operation of internal control system.

The Board of Directors has conducted auditing for the operation of internal control system of the Company in 2009, reporting that the internal control system is sound, comprehensive and effective, and the resources for accounting and financial reporting, the qualifications and experiences of employees and the training courses for employees and the relevant budgets are sufficient.

(8) Establishment of "Accountability System for Major Errors in Disclosure of Information in the Annual Report" (《年報信息披露重大差錯責任追究制度》)

On 19 April 2010, the 10th meeting of the 5th session of the Board of the Company considered and approved the "Accountability System for Major Errors in Disclosure of Information in the Annual Report" (《年報信息披露重大差錯責任追究制度》).

5. CORPORATE GOVERNANCE REPORT *(continued)*

(9) Special measures on corporate governance

Pursuant to the relevant notice concerning good practices on corporate governance of listed companies and an array of principles uphold by the CSRC, the Company continued to develop its corporate governance measures. In order to enhance the sales network, improve the sales system, the Company and Angang International Economic Trading Co., Ltd.* (鞍鋼集團國際經濟貿易有限公司) ("Angang International Trading Company") entered into the "Joint Venture Agreement regarding the establishment of Angang Trading Co., Ltd.* by Angang Steel Company Limited* and Angang International Economic Trading Co., Ltd.*" (《鞍鋼股份有限公司與鞍鋼集團國際經濟貿易有限公司關於設立鞍鋼貿易有限責任公司的合資協議》) on 28 August 2009, pursuant to which the parties jointly invested in a company with limited liability engaged in the domestic trading of steel products. The company has a registered capital of RMB573 million. The registered capital was held as to 51% by the Company and as to 49% by Angang International Trading Company.

The transaction was approved by the Company on the third extraordinary general meeting in 2009 of the Company on 28 December 2009. The said company is in the process of establishment.

PUBLIC FILE

Significant
Events

1. MATERIAL LITIGATION AND ARBITRATION

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

2. EQUITY IN OTHER LISTED COMPANIES HELD BY THE COMPANY

Unit: RMB million

Stock Code	Abbre-viation	Initial investment amount	Percentage in the company's share capital	Book value at the end of the period	Loss and gain during the reporting period	Change in owner's interest during the reporting period	Available	Source of shares
600961	Zhuzhou Smelter Group	81	1.9%	161	0	87	Available-for-sale financial assets	Subscription of Shares
Total	–	81	–	161	0	87	–	–

3. ACQUISITION AND DISPOSAL OF ASSETS

Counterpart and assets acquired	Date of acquisition	Consideration *(RMB million)*	Net profit contributed to the Company since the date of acquisition to the year-end	Whether a connected transaction (if so, state the basis of pricing)	Whether all ownership of assets involved transferred	Whether all debts transferred
Acquisition from Angang Holding of the assets relating to the electroslag remelting project in progress	January 2009	85	0	A connected transaction. The consideration is determined based on the appraised value provided by Beijing Yue Hua De Wei Assets Valuation Company Limited	Yes	Yes

PUBLIC FILE

4. MATERIAL CONNECTED TRANSACTIONS

(1) Continuing connected transactions

In 2009, the Group purchased a portion of the raw materials, energy and services necessary for its production operations from, and sold some of its products to Angang Holding and its subsidiaries. The transaction methods and prices were in compliance with the provisions of Supply of Materials and Services Agreement entered into between the parties.

1) *Purchase of products and receipt of labour services from related parties.*

Item	Pricing principle	Price	Amount *(RMB million)*	As a percentage of the contractual value of similar transactions (%)
Iron Concentrate	Not higher than the average import price of PRC iron concentrate reported to the PRC customs in the preceding half-year reporting period and the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the grade 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. For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/tonne. Angang Holding pledged to give discount after the highest price is confirmed. The discount rate is 5% of average import price of iron concentrate reported to the PRC custom in the preceding half-year	RMB740/tonne	6,475	44.94

196

PUBLIC FILE

Significant
Events *(continued)*

4. MATERIAL CONNECTED TRANSACTIONS *(continued)*

(1) Continuing connected transactions *(continued)*

1) *Purchase of products and receipt of labour services from related parties: (continued)*

Item	Pricing principle	Price	Amount *(RMB million)*	As a percentage of the contractual value of similar transactions *(%)*
Pellet	Based on the average price of pellets purchased by the Company from independent third parties in the preceding half-year reported period. For every 1 percentage point increase or decrease in the grade of pellets, the price will be increased or decreased by RMB10/tonne	RMB905/tonne	4,836	99.95
Sinter ore	The price of iron concentrate plus processing cost of the supplier in the preceding half-year reported period plus 10% gross profit (of which, the processing cost is not higher than that of similar products produced by the Company)	RMB895/tonne	2,417	100.00
Scrap steel	Market prices	–	290	42.03
Billets		–	67	60.49
Subtotal			14,086	62.78
Electricity	State price	RMB0.50/kWh	1,844	35.39
Water		RMB3.25/tonne	83	100.00
Subtotal			1,927	36.40
Lime stone	Not higher than the selling prices offered by relevant members of Angang Holding to independent third parties	RMB353/tonne	136	65.08
Lime powder		RMB367/tonne	757	89.95
Refractory materials		–	156	11.49
Other ancillary			76	1.60
Spare parts and tools		–	335	9.15
Subtotal			1,460	13.48
Total	–	–	17,473	45.31

PUBLIC FILE

195

4. MATERIAL CONNECTED TRANSACTIONS *(continued)*

(1) Continuing connected transactions *(continued)*

1) *Purchase of products and receipt of labour services from related parties. (continued)*

Item	Pricing principle	Amount *(RMB million)*	As a percentage of the contractual value of similar transactions (%)
Railway transportation	State price	660	62.14
Road transportation	Market prices	328	78.25
Agency services	1.5% as commission (not more than the commissions levied by the main state import and export companies of China) or free of charge	283	100.00
— Import of raw materials, equipment, components and ancillary materials			
— Export of products			
— Domestic sales of products			
Repair and maintenance of equipment	Market prices	1,083	73.15
Design and engineering services		2,154	33.67
Construction project agency and management services	Free of charge	–	–
Education facilities, vocational education, on-the-job training, translation services	Market prices	5	34.85
Company vehicle services		3	47.90
Charge for arrangement of business and meeting expenses		2	53.37
Greening services	Expenses of labour, materials and management were paid based on market prices	31	91.64
security service		49	95.32
Newspaper and other publications	State price	3	35.90

194

PUBLIC FILE

Significant Events *(continued)*

4. MATERIAL CONNECTED TRANSACTIONS *(continued)*

(1) Continuing connected transactions *(continued)*

1) *Purchase of products and receipt of labour services from related parties: (continued)*

Item	Pricing principle	Amount (RMB million)	As a percentage of the contractual value of similar transactions (%)
Telecommunication business and services information system	State price or depreciation cost plus maintenance costs	78	82.69
Environmental protection and security inspection services	State price	6	87.49
Supply of heat	State price	3	22.89
Production coordination and maintenance	Expenses of labour, materials and management were paid based on market prices	1,172	87.26
Life coordination and maintenance		161	76.78
Processing with supplied materials	Processing cost plus gross profit margin of no more than 5%	–	–
Total	–	6,034	52.73
Interest on fund for settlement	State price	8	47.67
Loans and discounted interest	State price	331	21.80

Note: In which, for the twelve months ended 31 December 2009, steel products provided by Angang International Trading Company as a domestic and overseas agent amounted to 7,300,000 tonnes and 910,000 tonnes respectively.

PUBLIC FILE

4. MATERIAL CONNECTED TRANSACTIONS *(continued)*

(1) Continuing connected transactions *(continued)*

2) *Sale of products and provision of labour services to related parties*

Item	Pricing principle	Price	Amount (RMB million)	As a percentage of the contractual value of similar transactions (%)
Cold rolled sheets	The selling price offered by the Company to the independent third parties. For provision new products developed for the other party, the price is based on the market price if the market price exists, if the market price does not exist, 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 relevant member of companies	RMB3,957/tonne	1,914	9.71
Heavy Plates		RMB2,951/tonne	390	5.17
Wire rods		RMB3,221/tonne	541	21.28
Heavy section		RMB5,360/tonne	9	0.25
Hot rolled sheets		RMB3,041/tonne	2,777	10.97
Medium plate		RMB3,031/tonne	65	2.26
Galvanized sheets		RMB3,728/tonne	221	4.88
Colour coated sheets		RMB4,891/tonne	4	0.98
Seamless pipes		RMB3,356/tonne	59	3.95
Molten iron		RMB2,642/tonne	15	52.18
Coke		RMB884/tonne	74	100.00
Chemical by-products		–	26	2.24
Subtotal		–	6,096	8.82
Scrap copper	Market prices	–	95	100.00
Abandoned materials		–	27	80.91
Minus sieve powder	The difference from the basic price of sinter ore minus the cost of sintering process of Angang Holding	–	1	100.00
Subtotal			123	95.14
Total		–	6,219	8.98

4. MATERIAL CONNECTED TRANSACTIONS *(continued)*

(1) Continuing connected transactions *(continued)*

2) *Sale of products and provision of labour services to related parties (continued)*

Item	Pricing principle	Price	Amount (RMB million)	As a percentage of the contractual value of similar transactions (%)
New water	State price	RMB2.93 /tonne	42	95.30
Clean recycled water	Production cost plus a gross profit margin of 5%	RMB0.74 /tonne	22	99.98
Soft water		RMB2.84 /tonne	0.3	100.00
Gas		RMB46.37/GJ	330	86.63
Blast furnace gas		RMB4.00/GJ	43	100.00
Steam		RMB39.50/GJ	38	98.94
Nitrogen		RMB119.35 /KM3	0.7	9.00
Oxygen		RMB468.61 /KM3	3	1[illegible].04
Argon		RMB558.28 /KM3	0.4	7.80
Compressed air		RMB89.50 /KM3	1	99.91
Unused hot water		RMB6.65/GJ	27	87.32
Product testing service	Market prices	–	4	83.67
Transportation service		–	0.6	100.00
Total	–	–	512	39.32

The above connected transactions of the Group were all settled in cash.

Explanation as to the necessity and continuity of connected transactions: production of steel and iron is on a continuous basis. The Company relies on the supply of most of its raw materials from Angang Holding and its subsidiaries and a portion of products of the Company were sold to Angang Holding and its subsidiaries. Therefore, the above continuing connected transactions are necessary to the smooth operation and production of the Group.

PUBLIC FILE

4. MATERIAL CONNECTED TRANSACTIONS *(continued)*

(1) Continuing connected transactions *(continued)*

2) *Sale of products and provision of labour services to related parties (continued)*

The above connected transactions, as confirmed by the independent non-executive Directors of the Board who are independent of the controlling shareholder, were entered into ① in the ordinary and usual course of business of the Company; ② on normal commercial terms or on the terms not less favourable to the terms offered by independent third parties; or on the terms which are fair and reasonable as far as the shareholders of the Company are concerned if no comparable reference is available; ③ in accordance with the terms of Supply of Materials and Services Agreement which are fair and reasonable and in the interest of the Company and its shareholders as a whole; and ④ in 2009, the total amount of ongoing connected transactions of the Company did not exceed the relevant caps as set out in Supply of Materials and Services Agreement.

The auditors to the Company have reviewed the above connected transactions and issued a letter to the Board confirming that the above continuing connected transactions ① have received the approval of the Board; ② so far as they are aware, there is no instance of non-compliance with provisions of Supply of Materials and Services Agreement; and ③ the actual amounts of such connected transactions did not exceed the relevant caps under the waiver.

(2) Connected transactions arising from transfer of assets and investment

1) *Acquisition of assets*

The 33rd meeting of the 4th session of the Board was held by the Company on 5 January 2009. The Board approved the Proposal for Acquisition by the Company from Anshan Iron and Steel Group Complex of the Assets Relating to the Electroslag Remelting Project in Progress. The appraised value of such assets relating to the electroslag remelting was RMB85,424,241.93 as appraised by Beijing Yue Hua De Wei Assets Valuation Company Limited. The consideration determined based on the appraised value was RMB85,424,241.93. The acquisition of assets was funded by internal resources.

PUBLIC FILE

Significant Events (continued)

4. MATERIAL CONNECTED TRANSACTIONS (continued)

(2) Connected transactions arising from transfer of assets and investment (continued)

2) *Investment*

The 5th meeting of the 5th session of the Board was held by the Company on 28 August 2009. The Board approved the signing of "Joint Venture Agreement regarding the establishment of Angang Trading Co., Ltd.* by Angang Steel Company Limited* and Angang International Economic Trading Co., Ltd.*" (《鞍鋼股份有限公司與鞍鋼集團國際經濟貿易有限公司關於設立鞍鋼貿易有限責任公司的合資協議》) with Angang International Trading Company, pursuant to which the registered capital amounted to RMB573 million. The Company paid RMB318,340,900 in cash premium, of which RMB292,230,000 was contributed to the registered capital, representing 51% of the registered capital. Angang International Trading Company paid RMB306,337,000 assessed asset premium, of which RMB280,770,000 was contributed to the registered capital, representing 49% of the registered capital. The contributions of both parties in excess of the registered capital were accounted for in capital reserve.

(3) Amounts due to or from related parties of the Company or guarantee provided from related parties to the Company

There was no claims or obligations between the Company and the connected parties for non-operating purpose as at 31 December 2009.

As at 31 December 2009, RMB1.0 billion of the Company's bank loan was guaranteed by Angang Holding.

5. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

(1) The Company did not enter into any trust, contractual or lease arrangement during the reporting period.

(2) There was no material guarantee granted by the Company at the end of reporting period.

(3) The Company did not entrust any financial management during the reporting period.

(4) There were no other material contracts entered into by the Company during the reporting period.

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 Company's external guarantee and flow of funds between the Company and its related parties, and hereby make the following statements and opinions

(1) The Company has complied with the relevant requirements of the Listing rules since its listing, and has not provided any guarantee to its controlling shareholders, any other connected party which has a less than 50% shareholding in the Company, any non-legal person unit or any individual.

(2) The Company has not provided any guarantee for any other company during the reporting period.

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

(4) To date, the Company has not been subjected to penalty, criticism or condemnation by the securities regulatory authorities in respect of the Company's external guarantees.

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

Significant Events *(continued)*

6. UNDERTAKINGS OF CONTROLLING SHAREHOLDER

(1) During the reformation of non-tradable shares, Angang Holding, the controlling shareholder of the Company, in addition to the undertakings required under the relevant laws and regulations, has made the following special undertakings in relation to the State-owned Share Reform Plan:

1) The shares held by Angang Holding following the implementation of the State-owned Share Reform Plan will be subject to a trading moratorium of 36 months from the listing date of such shares on the Shenzhen Stock Exchange except for the shares corresponding to the exercise of the warrants by any holder of tradable A shares.

2) For the tradable A shares of the Company issued to Angang Holding for the acquisition of the entire equity interests in ANSI, such shares will also be subject to a trading moratorium of 36 months from the day on which the shares are deposited to Angang Holding's account.

3) Angang Holding will maintain a minimum of 60% shareholding in the Company following the completion of the acquisition of the entire equity interests in ANSI till the end of 2010.

4) Angang Holding will reimburse other shareholders for any loss arising from its failure to fulfil the whole or part of its undertakings.

5) Angang Holding will arrange for the deposit of the relevant shares of the Company as compensation under the State-owned Share Reform Plan with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch to ensure fulfilment of its obligations under such arrangement.

6) Angang Holding will pay for all the costs arising from the implementation of the State-owned Share Reform Plan.

Angang Holding further undertakes that:

"Angang Holding will perform its undertakings on a good faith basis and accepts the liabilities thereunder. Unless the transferee agrees and is eligible and capable to make the undertakings, Angang Holding will not transfer any share held by it."

During the reporting period, none of breach of Angang Holding's undertakings was found.

PUBLIC FILE

6. UNDERTAKINGS OF CONTROLLING SHAREHOLDER (continued)

(2) On 24 October 2007, the Company and Angang Holding entered into the Supply of Materials and Services Agreement (2008-2009), 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 previous six months ("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 previous six months. Price adjustment for every 1% of grade is RMB10 / tonne." Angang Holding made the undertaking to give a 5% discount to the maximum price of Average Import Price which was confirmed by Basic Price. The undertaking shall be valid from 1 January 2008 to 31 December 2009.

During the reporting period, none of breach of Angang Holding's undertakings was found.

(3) On 28 October 2008, the Company received a notice from Angang Holding that according to the Approval Reply Relating to the Whitewash Waiver to Angang Holding from General Offer to Acquire Shares in Angang Steel Company Limited* from CSRC, Angang Holding intended to increase the shareholding in the Company from the secondary markets within 12 months since the date of share acquisition (i.e. 28 October 2008) in a quantity no more than 361,000,000 shares or 4.99% of the issued shares of the Company. On 28 October 2008, Angang Holding had acquired additional 1,000,000 shares in the Company through trading system of the Shenzhen Stock Exchange, accounting for 0.014% of total share capital of the Company.

Angang Holding undertook to the Company that it would not reduce its shareholding in the Company within the period of shareholding increase and the statutory period.

During the reporting period, none of breach of Angang Holding's undertakings was found

Significant Events *(continued)*

6. UNDERTAKINGS OF CONTROLLING SHAREHOLDER *(continued*

(4) 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 previous six months ("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 previous six months. 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 undertaking shall be the same as the Supply of Materials and Services Agreement (2010-2011).

Annual General Meeting

The annual general meeting of the Company will be held on Friday, 18 June 2010, details of which and the proposed resolutions are set out in the accompanying notice of the annual general meeting.

PUBLIC FILE

Audit Report

Zhongrui YueHua shenzi[2010]No.05419

All Shareholders of Angang Steel Company Limited:

We have audited the accompanying financial statements of Angang Steel Company Limited (the Company), which comprise consolidated balance sheet and the balance sheet of the parent company as at 31 December 2009, the consolidated income statement and the income statement of the parent company, the consolidated statement of changes in shareholders' equity and the statement of changes in shareholders' equity of the parent company, the consolidated cash flow statement and the cash flow statement of the parent company for the year then ended, and notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation of these financial statements in accordance with China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit We performed our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error in making those risk assessments; the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

OPINION

In our opinion, the financial statements comply with the requirements of China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the consolidated financial position and the financial position of the parent company as at 31 December 2009, the consolidated results of operations and cash flows, the results of operations and cash flows of the parent company for the year then ended.

Zhongrui Yuehua Certified Public Accountants

Certified Public Accountants
Registered in the People's Republic of China

Cao Bin

Wang Ruiqi

China Beijing
19-04-2010

PUBLIC FILE

Consolidated Balance Sheet

Prepared by : Angang Steel Company Limited
At as 31 December 2009
Monetary unit:Rmb million

Assets	Note	31 Dec. 2009	31 Dec. 2008
Current assets:			
Cash at banks and on hand	7(1)	**2,242**	2,974
Trading financial assets			
Bills receivable	7(2)	**3,396**	2,583
Accounts receivable	7(3)	**1,770**	1,235
Prepayments	7(5)	**6,212**	2,731
Interest receivable			
Other receivables	7(4)	**19**	78
Inventories	7(6)	**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	7(7)	**161**	45
Long-term equity investments	7(9)	**1,629**	2,262
Investment real estate			
Fixed assets	7(10)	**53,805**	43,252
Construction in progress	7(11)	**10,588**	12,547
Construction material	7(12)	**2,334**	6,242
Intangible assets	7(13)	**7,061**	6,761
Deferred income tax assets	7(14)	**1,112**	1,102
Other non-current assets			
Total non-current assets		**76,690**	72,211
Total assets		**100,987**	92,184

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

Prepared by: Angang Steel Company Limited
At as 31 December 2009
Monetary unit: Rmb million

Consolidated Balance Sheet *(continued)*

Liabilities and shareholders' equity	Note	31 Dec. 2009	31 Dec. 2008
Current liabilities:			
Short-term loans	7(16)	**13,710**	7,570
Bills payable	7(17)	**3,509**	4,585
Accounts payable	7(18)	**3,318**	3,427
Advances from customers	7(19)	**5,942**	3,629
Employee benefits payable	7(20)	**326**	329
Tax and surcharges payable	7(21)	**(2,296)**	(2,771)
Other payables	7(22)	**3,283**	3,523
Non-current liabilities due within 1 year	7(23)	**7,653**	1,031
Other current liabilities	7(24)	**42**	
Total current liabilities		**35,487**	21,323
Non-current liabilities:			
Long-term loans	7(25)	**11;502**	17,565
Deferred income tax liabilities	7(14)	**61**	47
Other non-current liabilities	7(26)	**139**	141
Total non-current liabilities		**11,702**	17,753
Total liabilities		**47,189**	39,076
Shareholders' equity:			
Share capital	7(27)	**7,235**	7,235
Capital reserve	7(28)	**31,510**	31,423
Special reserve	7(29)	**50**	21
Surplus reserve	7(30)	**3,357**	3,280
Undistributed profit	7(31)	**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

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

PUBLIC FILE

Consolidated Income Statement

Prepared by : Angang Steel Company Limited
For the year ended 31 December 2009
Monetary unit Rmb million

Items			Note	2009	2008
1.	**Operating income**			**70,126**	79,616
	Including:	Operating income from main business	7(32)	**70,126**	79,616
2.	**Operating costs**			**69,523**	75,844
	Including:	Operating costs for main business	7(32)	**63,712**	66,611
		Business tax and surcharges	7(33)	**183**	948
		Selling expenses		**1,081**	1,687
		Administrative expenses		**2,962**	3,798
		Financial expenses		**902**	694
		Impairment losses on assets	7(35)	**683**	2,106
	Add:	gains/losses from fair value variation ("-" means loss)			
		Investment income ("-" means loss)	7(34)	**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	7(36)	**93**	33
	Less:	Non-operating expenses	7(37)	**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	7(38)	**157**	851
5.	**Net profit for the year ("-" means net loss)**			**686**	2,981
	Net profit attributable to shareholder of parent company			**727**	2,981
	Gains/losses attributable to minority shareholder			**(41)**	
6.	**Earning per share**				
	(1)	Basic earnings per share	7(39)	**0.100**	0.412
	(2)	Diluted earnings per share	7(39)	**0.100**	0.412
7.	**Other comprehensive income**		7(40)	**87**	(170)
8.	**Total comprehensive income**			**773**	2,811
	Share of total comprehensive income attributable to shareholder of parent company			**814**	2,811
	Share of total comprehensive income attributable to minority interest			**(41)**	

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

Prepared by : Angang Steel Company Limited
For the year ended 31 December 2009
Monetary unit Rmb million

Consolidated Cash Flow Statement

Items		Note	2009	2008
1.	**Cash flows from operating activities:**			
	Cash received from sales of goods or rendering of services		**72,934**	92,862
	Refund of tax and fare received		**800**	
	Other cash received relating to operating activities	7(41)	**292**	59
	Sub-total of cash inflows		**74,026**	92,921
	Cash paid for goods and services		**63,879**	68,780
	Cash paid to and on behalf of employees		**2,554**	2,589
	Cash paid for all types of taxes		**2,255**	8,611
	Other cash paid relating to operating activities	7(41)	**789**	1,003
	Sub-total of cash outflows		**69,477**	80,983
	Net cash flow from operating activities	7(42)	**4,549**	11,938
2.	**Cash flows from investing activities**			
	Cash received from return of investments			
	Cash received from investment income		**47**	17
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**23**	5
	Net cash received from the disposal of subsidiaries and other operating units			
	Other cash received relating to investment activities	7(41)	**1,730**	409
	Sub-total of cash inflows		**1,800**	431
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**6,870**	14,684
	Cash paid for acquisition of investments		**143**	1,301
	Net cash paid for acquisition of subsidiaries and other operating units			
	Other cash paid relating to investment activities			
	Sub-total of cash outflows		**7,013**	15,985
	Net cash flow from investing activities		**(5,213)**	(15,554)

PUBLIC FILE

Consolidated Cash Flow Statement

Prepared by : Angang Steel Company Limited
For the year ended 31 December 2009
Monetary unit Rmb million

Items		Note	2009	2008
3.	**Cash flows from financing activities**			
	Cash received from absorbing investment			
	Including: received of subsidiary from minority shareholder			
	Cash received from borrowings		**20,140**	16,220
	Other cash received relating to financing activities			
	Sub-total of cash inflows		**20,140**	16,220
	Cash paid for settling debt		**17,084**	11,795
	Cash paid for distribution of dividends or profit or reimbursing interest		**3,086**	5,509
	Including: dividends or profit paid to minority interest			
	Other cash payments relating to financing activities	7(41)	**38**	59
	Sub-total of cash outflows		**20,208**	17,363
	Net cash flow from financing activities		**(68)**	(1,143)
4.	**Effect of foreign exchange rate changes on cash and cash equivalents**			
5.	**Net increase in cash and cash equivalents**	7(42)	**(732)**	(4,759)
	Add: Cash and cash equivalents at year-begin	7(42)	**2,974**	7,733
6.	**Cash and cash equivalents at the end of the year**	7(42)	**2,242**	2,974

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

Prepared by : Angang Steel Company Limited
For the year ended 31 December 2009
Monetary unit:Rmb million

Consolidated Statement of changes in shareholders' equity

Items	2009 Shareholders' equity attributable to parent company Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus public reserve	General risk reserve	Undistributed profit	Other	Minority equity	Total of shareholders' equity
1. Balance as at 31 Dec. 2008	7,235	31,423			3,301		11,144			53,103
Add: Change of accounting policy				21	(21)		5			5
Correction of last accounting errors										
Other										
2. Balance as at 1 Jan. 2009	7,235	31,423		21	3,280		11,149			53,108
3. Increase/decrease in 2009 ("-" means loss)		87		29	77		(869)		1,366	690
(1) Net profit							727		(41)	686
(2) Other comprehensive income		87								87
Subtotal of (1) and (2)		87					727		(41)	773
(3) Input and reduced capital of owners									1,407	1,407
i Capital input by owners									1,407	1,407
ii Amount of shares-based payment recorded in owner's equity										
iii Other										
(4) Profit distribution					77		(1,596)			(1,519)
i Appropriating surplus reserve					77		(77)			
ii Appropriating general risk reserve										
iii Distribution to Shareholders							(1,519)			(1,519)
iv Other										
(5) Transfer internally of shareholder's equity										
i Transferring capital reserve into share capital										
ii Transferring surplus reserve into share capital										
iii Making up losses with surplus reserve										
iv Other										
(6) Appropriating and using special reserve				29						29
i Appropriation number of this year				35						35
ii Using number of this year				(6)						(6)
4. Balance as at 31 Dec. 2009	7,235	31,510		50	3,357		10,280		1,366	53,798

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

176

PUBLIC FILE

Consolidated Statement of changes in shareholders' equity (continued)

Prepared by : Angang Steel Company Limited
For the year ended 31 December 2009
Monetary unit:Rmb million

	2008									
	Shareholders' equity attributable to parent company									
Items	**Share capital**	**Capital reserve**	**Less: treasury stock**	**Special reserve**	**Surplus public reserve**	**General risk reserve**	**Undistributed profit**	**Other**	**Minority equity**	**Total of shareholders' equity**
1. Balance as at 31 Dec. 2007	7,235	31,593			2,981		12,446			54,255
Add: Change of accounting policy				11						11
Correction of last accounting errors										
Other										
2. Balance as at 1 Jan. 2008	7,235	31,593		11	2,981		12,446			54,266
3. Increase/decrease in 2008 ("-" means loss)		(170)		10	299		(1,297)			(1,158)
(1) Net profit							2,981			2,981
(2) Other comprehensive income		(170)								(170)
Subtotal of (1) and (2)		(170)					2,981			2,811
(3) Input and reduced capital of owners										
i. Capital input by owners										
ii. Amount of shares-based payment recorded in owner's equity										
iii. Other										
(4) Profit distribution					299		(4,278)			(3,979)
i. Appropriating surplus reserve					299		(299)			
ii. Appropriating general risk reserve										
iii. Distribution to Shareholders							(3,979)			(3,979)
iv. Other										
(5) Transfer internally of shareholder's equity										
i. Transferring capital reserve into share capital										
ii. Transferring surplus reserve into share capital										
iii. Making up losses with surplus reserve										
iv. Other										
(6) Appropriating and using special reserve				10						10
i. Appropriation number of this year				34						34
ii. Using number of this year				(24)						(24)
4. Balance as at 31 Dec. 2008	7,235	31,423		21	3,280		11,149			53,108

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

Prepared by: Angang Steel Company Limited
As at 31 December 2009
Monetary unit:Rmb million

Balance Sheet

Assets	Note	31 Dec.2009	31 Dec.2008
Current assets:			
Cash at banks and on hand		**1,138**	2,914
Trading financial assets			
Bills receivable		**3,157**	2,583
Accounts receivable	15(1)	**1,770**	1,235
Prepayments		**5,294**	2,731
Interest receivable			
Dividend receivable			
Other receivables	15(2)	**12**	78
Inventories		**10,045**	10,372
Non-current assets due within 1 year			
Other current assets			
Total current assets		**21,416**	19,913
Non-current assets:			
Available-for-sale financial assets		**161**	45
Long-term equity investments	15(3)	**3,094**	2,322
Investment real estate			
Fixed assets		**51,720**	43,252
Construction in progress		**8,713**	12,547
Construction material		**2,317**	6,242
Intangible assets		**6,609**	6,761
Deferred income tax assets		**904**	1,102
Other non-current assets			
Total non-current assets		**73,518**	72,271
Total assets		**94,934**	92,184

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

Balance Sheet *(continued)*

Prepared by : Angang Steel Company Limited
As at 31 December 2009
Monetary unit:Rmb million

Liabilities and shareholders' equity	*Note*	31 Dec.2009	31 Dec.2008
Current liabilities:			
Short-term loans		**12,200**	7,570
Bills payable		**2,776**	4,585
Accounts payable		**2,818**	3,427
Advances from customers		**5,822**	3,629
Employee benefits payable		**325**	329
Tax and surcharges payable		**(2,149)**	(2,771)
Other payables		**3,263**	3,523
Non-current liabilities due within 1 year		**7,338**	1,031
Other current liabilities		**42**	
Total current liabilities		**32,435**	21,323
Non-current liabilities:			
Long-term loans		**9,822**	17,565
Deferred tax liabilities		**61**	47
Other non-current liabilities		**139**	141
Total non-current liabilities		**10,022**	17,753
Total liabilities		**42,457**	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		**10,325**	11,149
Total shareholders' equity		**52,477**	53,108
Total liabilities and shareholders' equity		**94,934**	92,184

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

Prepared by: Angang Steel Company Limited
For the year ended 31 December 2009
Monetary unit: Rmb million

Income Statement

Items			Note	2009	2008
1.	**Operating income**		15(4)	**69,469**	79,616
	Less:	Operating costs for main business	15(4)	**62,988**	66,611
		Business tax and surcharges		**183**	948
		Selling expenses		**1,066**	1,687
		Administrative expenses		**2,946**	3,798
		Financial expenses		**884**	694
		impairment losses on assets		**683**	2,106
	Add:	gains/losses from fair value variation ("-" means loss)			
		Investment income ("-" means loss)	15(5)	**186**	96
	Including:	Income from investment in jointly controlled enterprises and associates		**176**	80
2.	**Operating profit ("-" means loss)**			**905**	3,868
	Add:	Non-operating income		**90**	33
	Less:	Non-operating expenses		**39**	69
	Including:	Loss on non-current assets disposal		**39**	63
3.	**Profit before income tax ("-" means loss)**			**956**	3,832
	Less:	Income tax expenses		**184**	851
4.	**Net profit for the year ("-" means loss)**			**772**	2,981
5.	**Earning per share**				
	(1)	Basic earnings per share		**0.107**	0.412
	(2)	Diluted earnings per share		**0.107**	0.412
6.	**Other comprehensive income**			**87**	(170)
7.	**Total comprehensive income**			**859**	2,811

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

Cash Flow Statement

Prepared by Angang Steel Company Limited
For the year ended 31 December 2009
Monetary unit:Rmb million

Items		Note	2009	2008
1.	**Cash flows from operating activities:**			
	Cash received from sales of goods or rendering of services		**72,277**	92,862
	Refund of tax and fare received		**800**	
	Other cash received relating to operating activities		**292**	59
	Sub-total of cash inflows		**73,369**	92,921
	Cash paid for goods and services		**63,263**	68,780
	Cash paid to and on behalf of employees		**2,543**	2,589
	Cash paid for all types of taxes		**2,245**	8,611
	Other cash paid relating to operating activities		**786**	1,003
	Sub-total of cash outflows		**68,837**	80,983
	Net cash flow from operating activities	15(6)	**4,532**	11,938
2.	**Cash flows from investing activities**			
	Cash received from return of investments			
	Cash received from investment income		**47**	17
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**23**	5
	Net cash received from the disposal of subsidiaries and other operating units			
	Other cash received relating to investment activities		**537**	409
	Sub-total of cash inflows		**607**	431
	Cash paid for acquisition of fixed assets intangible assets and other long-term assets		**6,473**	14,684
	Cash paid for acquisition of investments		**575**	1,361
	Net cash paid for acquisition of subsidiaries and other operating units			
	Other cash paid relating to investment activities			
	Sub-total of cash outflows		**7,048**	16,045
	Net cash flow from investing activities		**(6,441)**	(15,614)

Prepared by Angang Steel Company Limited
For the year ended 31 December 2009
Monetary unit Rmb million

Cash Flow Statement *(continued)*

Items		Note	2009	2008
3.	**Cash flows from financing activities**			
	Cash received from absorbing investment			
	Including: received of subsidiary from minority shareholder			
	Cash received from borrowings		**20,040**	16,220
	Other cash received relating to financing activities			
	Sub-total of cash inflows		**20,040**	16,220
	Cash paid for settling debt		**16,834**	11,795
	Cash paid for distribution of dividends or profit or reimbursing interest		**3,035**	5,509
	Including: dividends or profit paid to minority interest			
	Other cash payments relating to financing activities		**38**	59
	Sub-total of cash outflows		**19,907**	17,363
	Net cash flow from financing activities		**133**	(1,143)
4.	**Effect of foreign exchange rate changes on cash and cash equivalents**			
5.	**Net increase in cash and cash equivalents**	15(6)	**(1,776)**	(4,819)
	Add: Cash and cash equivalents at year-begin	15(6)	**2,914**	7,733
6.	**Cash and cash equivalents at the end of the year**	15(6)	**1,138**	2,914

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

170

PUBLIC FILE

Statement of changes in shareholders' equity

Prepared by : Angang Steel Company Limited
For the year ended 31 December 2009
Monetary unit:Rmb million

Items	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus public reserve	General risk reserve	Undistributed profit	Total of shareholders' equity
	2009							
1. Balance as at 31 Dec. 2008	7,235	31,423			3,301		11,144	53,103
Add: Change of accounting policy				21	(21)		5	5
Correction of Last accounting errors								
Other								
2. Balance as at 1 Jan. 2009	7,235	31,423		21	3,280		11,149	53,108
3. Increase/decrease in 2009 ("-" means loss)		87		29	77		(824)	(631)
(1) Net profit							772	772
(2) Other comprehensive income		87						87
Subtotal of (1) and (2)		87					772	859
(3) Input and reduced capital of owners								
i. Capital input by owners								
ii. Amount of shares-based payment recorded in owner's equity								
iii. Other								
(4) Profit distribution					77		(1,596)	(1,519)
i Appropriating surplus reserve					77		(77)	
ii Appropriating general risk reserve								
iii. Distribution to Shareholders							(1,519)	(1,519)
iv. Other								
(5) Transfer internally of shareholder's equity								
i. Transferring capital reserve into share capital								
ii. Transferring surplus reserve into share capital								
iii. Making up losses with surplus reserve								
iv. Other								
(6) Appropriating and using special reserve				29				29
i. Appropriation number of this year				35				35
ii. Using number of this year				(6)				(6)
4. Balance as at 31 Dec. 2009	7,235	31,510		50	3,357		10,325	52,477

Legal representative **Zhang Xiaogang** *Chief Accountant* **Ma Lianyong** *Controller* **Ma Lianyong**

Prepared by Angang Steel Company Limited
For the year ended 31 December 2009
Monetary unit: Rmb million

Statement of changes in shareholders' equity *(continued)*

	2008							
Items	**Share capital**	**Capital reserve**	**Less: treasury stock**	**Special reserve**	**Surplus public reserve**	**General risk reserve**	**Undistri-buted profit**	**Total of shareholders' equity**
1. Balance as at 31 Dec. 2007	7,235	31,593			2,981		12,446	54,255
Add Change of accounting policy				11				11
Correction of Last accounting errors								
Other								
2. Balance as at 1 Jan. 2008	7,235	31,593		11	2,981		12,446	54,266
3. Increase/decrease in 2008 ("-" means loss)		(170)		10	299		(1,297)	(1,158)
(1) Net profit							2,981	2,981
(2) Other comprehensive income		(170)						(170)
Subtotal of (1) and (2)		(170)					2,981	2,811
(3) Input and reduced capital of owners								
i. Capital input by owners								
ii. Amount of shares-based payment recorded in owner's equity								
iii. Other								
(4) Profit distribution					299		(4,278)	(3,979)
i. Appropriating surplus reserve					299		(299)	
ii. Appropriating general risk reserve								
iii. Distribution to Shareholders							(3,979)	(3,979)
iv. Other								
(5) Transfer internally of shareholder's equity								
i. Transferring capital reserve into share capital								
ii. Transferring surplus reserve into share capital								
iii. Making up losses with surplus reserve								
iv. Other								
(6) Appropriating and using special reserve				10				10
i. Appropriation number of this year				34				34
ii. Using number of this year				(24)				(24)
4. Balance as at 31 Dec. 2008	7,235	31,423		21	3,280		11,149	53,108

Legal representative	*Chief Accountant*	*Controller*
Zhang Xiaogang	**Ma Lianyong**	**Ma Lianyong**

Notes to the financial statements

For the year 2009
(Expressed in RMB million unless otherwise indicated)

1. COMPANY PROFILE

Angang Steel Company Limited (formerly known as Angang New Steel Company Limited) (abbreviated as "the Company") was formally established on 8 May 1997 as a joint-stock limited company.

The Company was established as a joint-stock limited company under the Company Law of the People's Republic of China (the "PRC"), with Anshan Iron & Steel Group Complex ("Angang Holding") as the sole promoter, pursuant to the approval document TI GAI SHENG [1997] No. 62 "Reply to the Approval of the Establishment of Angang New Steel Company Limited" issued by the State Commission for Economic Restructuring of the PRC. The Company took over the businesses of the Wire Rod Plant, the Thick Plate Plant, and the Cold Rolling Plant (collectively referred to as the "Plants") of Angang Holding. According to the Division Agreement which took effect from 1 January 1997, Angang Holding transferred the production, sales, research and development, administration activities of the Plants together with the relevant assets and liabilities as at 31 December 1996 as its contribution to the Company. The above net assets were converted into 1,319,000,000 shares of the Company of RMB1.00 each.

The Company issued 890,000,000 foreign invested ordinary shares ("H shares") with a par value of RMB1.00 each on 22 July 1997 which were subsequently listed on The Stock Exchange of Hong Kong Limited on 24 July 1997. The Company also issued 300,000,000 ordinary A shares with a par value of RMB1.00 each on 16 November 1997 which were subsequently listed on the Shenzhen Stock Exchange on 25 December 1997.

The Company issued 1.5 billion A share convertible bonds in the PRC on 15 march 2000. The bonds reach its maturity on 14 March 2005. Total of 453,985,697 A shares of the company were transferred from the bonds.

On 26 January 2006, the Company made an additional issue of 2,970,000,000 ordinary A shares with a par value of RMB1.00 each at an issue price of RMB4.29 each to Angang Holding for a total consideration of RMB12.74 billion. Proceeds of the issue were used to partly finance the acquisition of the entire equity interest in ANSI. Upon the completion of the entire equity acquisition of ANSI, all the business, assets and liabilities of ANSI were transferred to the Company, and ANSI has applied for deregistration.

According to a special resolution approved by the shareholders in the annual general meeting on 20 June 2006, the Company changed its name from Angang New Steel Company Limited to Angang Steel Company Limited on 29 September 2006 upon the issuance of revised business license.

The Company proposed to issue A shares and H rights shares to all shareholders with 5,932,985,697 outstanding shares on the basis of 2.2 Rights Shares for every 10 existing Shares in October 2007. The subscription price for A shares and H shares is RMB15.40 per share and HKD15.91 respectively. The entitlements to the Rights Shares under the Share Rights Issue represent a total of 1,301,822,150 shares, including 1,106,022,150 A shares and 195,800,000 H shares. The new shares are listed for trade on Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited on 25 October 2007 and 14 November 2007 respectively. The Company had obtained the revised business license on 31 March 2008.

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

1. COMPANY PROFILE *(continued)*

At the balance sheet date, the Company's legal representative. Zhang Xiaogang, Registered capital RMB7,234,807,847; Business certificate code 210000400006026; Registered office: Production Area of Angang Steel, Address of the Company Tie Xi District, Anshan City, Liaoning Province, the PRC

The Company and its subsidiary (abbreviated as "the Group") are principally engaged in ferrous metal smelting and steel pressing and processing

The financial statements has been approved by the Board of Directors in April 19, 2010

2. BASIS OF PREPARATION

The financial statements of the Group are based on the assumption of going concern principal according to the actual transactions and events, in light of the accounting standard for business enterprise promulgated by the Ministry of Finance of PRC in Feb. 2006 and 38 specific accounting standards, the following promulgated application guidelines, interpretations and other related rules ("Enterprise Accounting Standards").

3. STATEMENT ON COMPLIANCE WITH THE ENTERPRISE ACCOUNTING STANDARDS

The Group declared that the Financial Report prepared by the Group was in line with requirements of the Enterprise Accounting Standards, These financial statements present truly, accurately and completely the financial position of the Group as at 31 December 2009, the results of operation, the cash flow of the Group for the year then ended. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of "Regulation on the Preparation of information Disclosures of Companies Issuing Public Shares, No 15 General Requirements for Financial Reports" revised by the China Securities Regulatory Commission ("CSRC") in 2010.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting year

The accounting year of the Group is from 1 January to 31 December

(2) Functional currency and presentation currency

The Group's functional currency is RMB

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(3) Business combinations

Business combinations are classified into the business combinations under the same control and the business combinations not under the same control.

(a) The business combinations under the same control

The assets and liabilities that the combining party obtained in a business combination shall be measured according to its book value in the combined party on the acquisition date. As for the difference between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the paid-in capital reserve (share premium) shall be adjusted by the difference. If the capital reserve (share premium) is not sufficient to be offset, the retained earnings shall be adjusted. The direct cost occurred in the business combination of the combining party shall be recorded into the profits and losses at the current period.

(b) The business combinations not under the same control

For the business combinations not under the same control, the combination costs shall be the fair value, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree. All relevant direct costs incurred to the acquirer for the business combination shall also be recorded into the cost of business combination. For a business combination realized by two or more transactions, the combination costs shall be the summation of the costs of all separate transactions. Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs. The acquirer shall, on the acquisition date, measure the assets obtained and liabilities incurred or assumed in light of their fair values in a business combination not under common control.

If the combination costs are more than the fair value of the identifiable net assets obtained, the acquirer shall recognized the difference as goodwill; if the combination costs are less than the fair value of the identifiable net assets obtained, the acquirer shall firstly reexamine the measurement of the fair values of the identifiable assets obtained, liabilities incurred and contingent liabilities incurred, as well as the combination costs. After that, if the combination costs are still less than the fair value of the identifiable net assets obtained, the acquirer shall recognized the difference in profit or lose of the current period

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(4) Preparation methods for consolidated financial statements

(a) Recognition principle

The scope of consolidation of consolidated financial statements shall be ascertained on the basis of control power. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company shall present consolidated financial statement in which it consolidated it investments in subsidiaries in which the Company holds more than 50% capital share or even less than 50% but substantively control its financial and operation activities.

(b) Preparation of consolidated financial statements

The consolidated financial statements shall, on the basis of the financial statements of the parent company and its subsidiaries, be prepared by the parent company after the long-term equity investments in the subsidiaries are adjusted by employing equity method and the long-term equity investments of a parent company in its subsidiaries be offset against its portion of owner's equity in the subsidiaries, and the effects of the internal transactions and the items of credits and debts between the parent company and its subsidiaries are offset. The accounting policy or accounting period of each subsidiary shall be adjusted as that of Company if it is different from that of the Company; or subsidiaries shall prepare financial statement again in compliance with the accounting policy and accounting period of the company.

If the parent company has a new subsidiary due to business combination under the same control during a reporting period, it shall adjust the beginning balance in the consolidated balance sheets when preparing consolidated balance sheets. If it is not under the same control the parent company shall not adjust the beginning balance in the consolidated balance sheets when preparing consolidated balance sheets. If the parent company disposes of a subsidiary within a reporting period, when it prepares consolidated balance sheets, it shall not adjust the beginning balance in the consolidated balance sheets.

If the parent company obtained the subsidiaries under the same control, the sales, expenses and profits of the subsidiaries from the beginning to the end of the reporting period in which the combination takes place are included in the parent company's consolidated income statements; If it is not under the same control, the sales, expenses and profits of the subsidiaries from the acquisition date to the end of the reporting period are included in the parent company's consolidated income statements. If the parent company disposes of a subsidiary within reporting period, the sales, expenses and profits of the subsidiaries from the beginning of the reporting period to the disposal date are included in the parent company's consolidated income statements.

Notes to the financial statements *(continued)*

For the year 2009 (Expressed in RMB million unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(4) Preparation methods for consolidated financial statements *(continued)*

(b) Preparation of consolidated financial statements *(continued)*

If the parent company obtained the subsidiaries under the same control, the cash flow of the subsidiaries from the beginning to the end of the reporting period in which the combination takes place are included in the parent company's consolidated cash flow statements; If it is not under the same control, the cash flow of the subsidiaries from the acquisition date to the end of the reporting period are included in the parent company's consolidated cash flow statements. If the parent company disposes of a subsidiary within reporting period, the cash flow of the subsidiaries from the beginning of the reporting period to the disposal date are included in the parent's consolidated cash flow statements.

(5) Recognition standard for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits that are available for payment at any time and short-term (within 3 months from the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(6) Business of foreign currencies and the translation of foreign financial statement

(a) Business of foreign currencies

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency is translated to RMB at the spot exchange rate of the transaction date. (Generally, a spot exchange rate is middle price quoted by the People's Bank of China on the day of transaction), nonetheless, business of foreign currency exchange or transaction involving foreign currency exchange shall be translated into RMB by actual exchange rate.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(6) Business of foreign currencies and the translation of foreign financial statement *(continued)*

(b) Translation of financial statements listed in foreign currency

Monetary items denominated in foreign currency are translated into RMB at the spot exchange at the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate at the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period, unless that it is arising from foreign currency borrowings which is specifically for the purpose of acquisition, construction of qualifying assets and satisfying the condition of capitalization. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate on the date fair value ascertained, and the translation difference shall be recorded into the profits and losses at the current period.

(7) Financial instruments

(a) Recognition of the financial instruments

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party by the contractual provisions of a financial instrument.

(b) Classification of financial assets and financial liability

Financial assets of the Group shall be classified into the four categories according to investment purpose and business substance.

(i) The financial assets shall be measured at fair values and the variation of which shall be recorded into the current profits and losses, including transactional financial assets and the designated financial assets which are measured at their fair values and of which the variation is included in the current profits and losses; (ii) The investments which will be held to their maturity; (iii) Loans and the account receivables; (iv) Financial assets available for sale.

Financial liabilities shall be classified into the following two categories according to business character of the Group:

(i) The financial liabilities which are measured at their fair values and the variation of which is recorded into the current profits and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; (ii) Other financial liabilities

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(7) Financial instruments *(continued)*

(c) Measurement of financial assets and financial liabilities

(i) The financial assets or financial liabilities shall be measured at their fair value and the variation of which shall be recorded into the current profits and losses.

When obtained, the financial assets or financial liabilities shall be initially measured at their fair value (except the interest on bonds of which the mature interest rate is not drawn in the payment or the cash dividend which is declared but not extended in the payment), its transaction costs are charged to profit or loss. The interest or cash dividend which was gained in the period are recognized as investment income. At the balance sheet date, the variation in the fair value of the financial asset or financial liability shall be recorded into the profits and losses of the current period. When the said financial assets of financial liabilities are on disposal, the difference between the fair value and the amount of initial recognition shall be recognized as investment income; meanwhile, the profits and losses arising from the variation in fair value shall be adjusted.

(ii) The investments which will be held to their maturity

The investments held to maturity shall initially be measured at fair value when obtained (except the interest on bonds of which the mature interest rate is not drawn in the payment) plus transaction expense The interest revenue shall be calculated according to amortized cost and effective interest rate (if the difference between effective interest rate and coupon rate is minor, interest revenue could be measured at coupon rate), and be recorded into investment income. The effective interest rate, ascertained when initially obtained, shall maintain unchanged within the predicted term of existence or within a shorter applicable term. When the investments held to their maturity is derecognized, the difference between the consideration obtained and investment book value shall be recorded into the profits and losses of current period

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(7) Financial instruments *(continued)*

(c) Measurement of financial assets and financial liabilities *(continued)*

(iii) The accounts receivables

The creditor's right receivable that formed during selling goods or service rendering and others, including accounts receivable, bills receivable ,other receivable ,long-term receivable ,etc but financial instrument that have no quoted price in active market, shall be initially measured in accordance with the contract or agreement signed between the Company and the buyers. Financial receivables shall be initially measured at discounted value. While the accounts receivable recovered or disposed of, the difference between the realized value and the book value shall be recorded into the profits and losses of the current period

(iv) Financial assets available for sale

The financial assets available for sale shall initially be measured at fair value when obtained (except the interest on bonds of which the mature interest rate is not drawn in the payment) plus transaction expense. The interest revenue or cash dividend gained during the period of holding the financial assets available for sale shall be recorded into investment income. On balance sheet date, the financial assets shall be measured at fair value, while the variation in fair value shall be recorded into capital reserves (other capital reserves). When disposed of, the difference between initially purchase price and the book value of the financial assets shall be recorded into investment income; meanwhile, the portion of accumulated variation in fair value previously recorded into share holds' equity shall be transferred to the current profits ad losses according to a certain proportion.

(v) Other financial liabilities

Other financial liabilities shall be initially measured at fair value plus transaction cost, and subsequently measured at amortized cost except following circumstances:

1) The derivative financial liabilities, of which the fair value cannot be reliably measured and quoted price does not exist in active marked, and connected to the equity instrument and be obliged to settled by delivering equity instrument, shall be measured at costs.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(7) Financial instruments *(continued)*

(c) Measurement of financial assets and financial liabilities *(continued)*

(v) Other financial liabilities *(continued)*

2) The financial guarantee contracts ,which are not designated as a financial liability and measured at its fair value and the variation is recorded into the profits and losses of the current period, and the bank loan commitments, which are not designated to be measured at the fair value and of which the variation is recorded into current profits and losses and which is incorporated with preferential interest rate, subsequently measured at the higher of following two amounts after initial measurement:

A) The amount ascertained according to the Accounting Standards for Enterprises No. 13 Contingencies;

B) The surplus of initially recognized amount from which the accumulative amortization ascertained according to the principles of the Accounting Standards for Enterprises No.14 Revenues is subtracted.

(d) Recognition and measurement of transfer of financial assets

The financial assets shall be derecognized while the Group has transferred nearly all the risks and rewards related to the ownership of which to the transferee, and it shall not be derecognized while the Group retain nearly all the risks and rewards related to the ownership.

Substance over form principal shall be adopted while making a judgment on whether the transfer of financial asset satisfies the conditions for termination of recognition. The transfer of financial assets could be classified into the entire transfer and the partial transfer.

If the transfer of an entire financial asset satisfies the conditions for termination of recognition, the difference between the amounts of the following 2 items shall be recorded into current profits and losses:

(i) The book value of the transferred financial asset;

(ii) The sum of consideration received from the transfer, and the accumulative amount of the variation in fair value previously recorded into the shareholders' equities

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(7) Financial instruments *(continued)*

(d) Recognition and measurement of transfer of financial assets *(continued)*

If the partially transfer of financial asset satisfies the conditions of termination of recognition, the entire book value of the transferred financial asset shall be apportioned according to their respective relative fair value between the portion of derecognized part and the remains, and the difference between the amounts of the following 2 items shall be recorded into the profits and losses of the current period:

(i) The book value of derecognized part;

(ii) The sum of consideration of the portion derecognized and the portion of the corresponding accumulative amount of the variation in the fair value previously recorded into the shareholders' equities.

(e) Determination of fair values

(i) Where there is an active market of financial assets and liabilities, the quoted prices in the active market shall be used to determine the fair values. The quoted price is ascertained in accordance with the following two principles:

1) In the active market, the quoted prices of the financial assets the Company holds or the financial liabilities the Company plans to assume shall be the present actual offer, while the quoted prices of the financial assets the Company plans to acquire or the financial liabilities the Company assumed shall be the available charge.

2) Where there is no available offer or charge for a financial asset or financial liability, the Company shall adopt the market quoted price of the latest transaction or adjusted market quoted price of the latest transaction, except that there are obvious evidence shows the quoted price is not fair

(ii) If no active market exists for a financial instrument, a valuation technique will be used to establish the fair value.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(7) Financial instruments *(continued)*

(f) Impairment of financial assets

An impairment test shall be made on the financial assets at the balance sheet date The impairment-related losses shall be recognized if any objective evidence shows that it has been impaired. The objective evidence, showing the financial assets has been impaired, is referred to the events which occur after the initial recognition and materially affect the future cash flows generated by financial assets and the influence could be reliably measured

(i) The investments which will be held to their maturity

Investment held to maturity measured at amortize cost shall be written down to present value of estimated future cash flow (excluding the loss of future credits not yet occurred)discounted by original effective interest rate, and the written-down shall be recorded into current profits or loses

An independent impairment test shall be made on the financial assets with significant single amounts. With regard to the financial assets with insignificant single amounts, an independent impairment test may be carried out, or they may be tested in a combination of financial assets with similar credit risk features The financial assets with significant single amount that an independent impairment test show which has not been impaired shall be put in a combination of financial assets with similar risk features and tested again. The financial assets with significant single amount suffered from an impairment loss proven by independent impairment test shall not be tested again.

(ii) The accounts receivables

The way of impairment testing and impairment measurement is disclosed in "note 4(8) receivables"

(iii) Available-for-sale financial asset

While the fair value of available-for-sale financial asset falls significantly, or judged by the Company that descending trend is not temporary after taking into account related data comprehensively, the difference between fair value and book value shall be recognized as impairment loss, meanwhile, the variation in fair value previously recorded in shareholders' equity shall be transferred out and recognized as impairment loss

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(8) Account receivables

(a) Recognition of provision

at the balance sheet date ,The Group carry out an overall inspection on the carrying amount of the account receivables .Where there is any objective evidence as followings proving that such account receivables has been impaired, an impairment provision shall be made.

(i) A serious financial difficulty occurs to the issuer or debtor, (ii) The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc. (iii) The debtor will probably go bankrupt or carry out other financial reorganizations; (iv) Other objective evidences showing that the accounts receivables suffering impairment.

(b) Measurement of provision

Accounts receivables are tested for impairment both on an individual basis and on a collective group basis.

On balance sheet date, an independent impairment test shall be made on accounts receivable with significant single amounts and insignificant single amounts which will be riskier as they are put into a combination by credit risk features. Account receivables with insignificant single amounts and those has not been impaired upon independent test are divided to a series of combination, and then perform impairment test.

Where impairment is tested on an individual basis, the book value of accounts receivable shall be written down to present value of estimated future cash flow(excluding the loss of future credits not yet occurred) discounted by original effective interest rate, and the written-down shall be recorded into current profits or losses.

Where impairment is tested on collective basis, the impairment is based on historical loss of accounts receivable combination by similar credit risk feature, and adjusted in accordance with economic data obtained under current circumstances.

(c) Reversal of provision

If evidences show that the value of receivable is recovered and that recovery is connected to the event subsequent to the recognition of impairment loses, previously recognized impairment losses shall be revered and recorded into current profits and losses, however, the book value after reversed impairment losses shall not excess the amortized cost on the assumption that no impairment losses have been made previously.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(9) Inventories

(a) Classification of inventory

The inventory of the Group comprises raw material, work in progress, finished goods, consumables, spare parts, materials in transit, and outsourcing materials etc.

(b) Pricing of inventory received and dispatched

The inventories shall be initially measured in light of their cost when purchasing, the cost of inventory consists of purchase costs, processing costs and other costs. The cost of good transferred to manufacturing cost by weighted average method and specific identification method.

Besides the purchase costs of raw materials, work in progress and finished goods and the direct labor cost shall be allocated to production overheads by appropriate apportion rate.

(c) Recognition and measurement of provision for decline in value of inventories

On balance sheet date, the inventories shall be measured at the lower of lower of the cost and the net realizable value.

The net realizable value is the amount after deducting the estimated cost of completion, estimated selling expense and relevant taxes from the estimated selling price of inventories, which includes: 1) As to the inventories held for sale, such as finished goods, products and materials held for sale, the net realizable value is the amount after deducting the estimated selling expense and relevant taxes from the estimated selling price of inventories; 2) The net realizable value refers to those material inventories, which need to be processed, in the daily business activity the amount after deducting the estimated cost of completion, estimated selling expense and relevant taxes from the estimated selling price of inventories; 3) The net realizable value of inventories held for the execution of selling contracts or labor contracts shall be calculated on the ground of the contract price. If an enterprise holds more inventories than the quantities subscribed in the selling contract, the net present value of the excessive part of the inventories shall be calculated on the ground of the general selling price.

The provision of inventories except the spare parts for decline in value is calculated by individual inventory item. The provision for decline in value of spare parts is calculated according to the actual situation and the management's estimations.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(9) Inventories *(continued)*

(c) Recognition and measurement of provision for decline in value of inventories *(continued)*

At the balance sheet date, if the cost of inventories is higher than the net realizable value, the provision for the loss on decline in value of inventories shall be made and be recorded into the current profits and losses. If the factors causing any write-down of the inventories disappeared, the amount of write-down shall be resumed and be reversed from the provision to the extent of provision previously made. The reversed amount shall be recorded into the current profits and losses.

(d) The Group maintains a perpetual inventory system.

(e) Amortization of consumables

Consumables such as low-value consumables, packaging materials and other consumables are amortized by lump-sum, units-production method or equal installments method depending on their nature. The amounts of the amortization are recorded in the cost of the related assets or the current profits and losses

(10) Long-term equity investments

(a) Initial Measurement

For the long-term equity investment obtained by business combination under common control, it shall, on the date of combination, take the share of book value of the shareholders' equity of subsidiaries as the initial costs of long-term equity investment. For the long-term equity investment obtained by business combination under different control, it shall, on the date of combination, take combination cost as initial cost of long-term equity investment. Besides long-term equity investment obtained by bushiness combination, the initial cost of long-term equity investment obtained by other means shall be ascertained by accordance with actual cash payment, the fair value of the equity securities issued, the conventional value stipulated in the investment contract or agreement ,etc. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Long-term equity investments *(continued)*

(a) Initial Measurement *(continued)*

For the long-term equity investment obtained by business combination under common control, it shall, on the date of combination, take the share of book value of the shareholders' equity of subsidiaries as the initial costs of long-term equity investment. The difference between initial costs of long-term equity investment and the book value of consideration of combination shall offset against capital reserve. If the capital reserve is not sufficient to diluted, the retained earnings shall be adjusted. As to combining party, the direct cost including the expenses for audit, assessment and legal services for the business combination shall be recorded into current profits and losses. If the consideration of combination is issuing bonds, the fees, commissions and other expenses for assuming other liabilities shall be taken as part of initial cost of the bonds or other debts. If the consideration of combination is issuing equity security, the fees, commissions and other expenses for the issuance shall offset against premium of issuance of equity security. If the premium is not sufficient, the retained earnings shall be adjusted.

For the long-term investment obtained by business combination under different control, the initial cost, on the date of combination, shall be ascertained in accordance with assets transferred as consideration, the fair value of equity security issued and liability incurred or assumed and other expenses directly related to combination. For a business combination realized by two or more transactions, the combination costs shall be the summation of the costs of all separate transactions. Where any subsequent events stipulated in the combination contract or agreement that are likely to affect the combination costs, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs. If the consideration of combination is issuing bonds, the fees, commissions and other expenses for assuming other liabilities shall be taken as part of initial cost of the bonds or other debts. If the consideration of combination is issuing equity security, the fees, commissions and other expenses for the issuance shall offset against premium of issuance of equity security. If the premium is not sufficient, the retained earnings shall be adjusted.

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly related to the long-term equity investment, taxes and other necessary expenses.

The initial cost of a long-term equity investment, obtained by means of issuing equity securities, shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment contributed by shareholder shall be the value stipulated in the investment contract or agreement except that value stipulated in the contract or agreement is not fair.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Long-term equity investments *(continued)*

(a) Initial Measurement *(continued)*

The initial cost of a long-term investment obtained by the exchange of nonmonetary assets shall be ascertained in accordance with the Accounting Standards for Enterprises No. 7 - Exchange of Non-monetary Assets.

The initial cost of a long-term equity investment obtained by debt restructuring shall be ascertained in accordance with Accounting Standards for Enterprises No 12 - Debt Restructuring.

The initial cost of a long-term investment shall be measured in compliance with its revaluation price while the book value of assets and liabilities are adjusted in light of its appraised value in the reformation of its mechanism.

Except the direct cost related to business combination, the initial cost of long-term investment, acquired by other ways, comprise direct acquisition cost, relevant tax and other necessary expenditures.

The cash dividends and profits announced, which is included in consideration, shall not be recognized as initial cost of accounts receivable but long-term investment.

(b) Subsequent measurement of long-term equity investment and recognition of investment income

(i) A long-term equity investment of an investing enterprise, which is able to control the invested enterprise, does not do joint control or does not have significant influences on the invested entity, and has no quoted price in the active market and its fair value cannot be reliably measured, are stated by employing cost method

The long-term equity investment stated by employing cost method shall be measured at initial investment cost. The cost of the long-term equity investment shall be adjusted while the amount of investment added or withdrew.

(ii) A long-term equity investment of the investing enterprise that does joint control or significant influences over the invested entity shall be stated by employing equity method. If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be recorded into the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Long-term equity investments *(continued)*

(b) Subsequent measurement of long-term equity investment and recognition of investment income *(continued)*

Long-term equity investment shall, in accordance with the proportion of the net profits or losses of the invested entity attributable to the Company, recognize the investment profits or losses and adjust the book value of the long-term equity investment simultaneously. The investing enterprise shall reduce the book value of the long-term equity investment in accordance with the proportion of the profits or cash dividends declared by the invested entity,

An investing enterprise shall recognize the net losses of the invested enterprise to the extent that the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the investing enterprise has the extra obligation to undertake extra losses. If the invested entity realizes any net profits later, the investing enterprise shall resume recognizing its attributable share of profits after its attributable share of profits offsets against its attributable share of the un-recognized losses,.

The investing enterprise shall ascertain attributable share of invested entity profit on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment and adjust the net profits of the invested entity in accordance with the accounting policies and accounting periods adopted by the invested entity if there is any difference between two sides after offsetting any inter-transaction profit /loss attributable to the investing entity(all inter-transaction loss due to impairment is fully recognized). If there is debit variation relating to the investment in associates and joint venture prior to first adoption of accounting standard, investment income ascertained after deducting cumulative amortization of that debit on a straight-line method.

Where any variation is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and the variation shall be directly recorded in the shareholder's equity simultaneously, when disposed of, the variation previously directly recorded in shareholders' equity related shall be transferred to current profits or losses.

(c) Measurement standard of the joint control and significant influences

1) Measurement criteria of joint control: No any party could solely control operating activity of the joint venture. The strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Long-term equity investments *(continued)*

(c) Measurement standard of the joint control and significant influences *(continued)*

2) Measurement criteria of significant influences : When the Company directly or indirectly owns, or by subsidiaries owns, 20% or above but less than 50% of the voting shares of invested entity, unless there is obvious evidence shows that the Company shall not participate in the financial and operating decision making, the Company has significant influence on invested entity. If the Company owns less than 20% of the voting shares of invested entity, generally, the Company has no significant influence on invested entity.

But with the following conditions, we believe that the Company has significant influence over the invested entity:

1) Have representative(s) in board of directors of the invested entity or similar authority organization

2) Get involved in policy making of the invested entity.

3) There are significant transactions with the invested entity

4) Dispatch management staff to the invested entity

5) Providing key technology to the invested entity.

(d) Method of impairment test and recognition of provision

At the balance sheet date, the Company shall check the long-term equity investment whether there is a sign of impairment exists as the follows. If there is sign of impairment, the estimated recoverable value shall be ascertained.

1) The current market price of long-term entity investment falls, and its decrease is obviously higher than the expected drop over time or due to the normal use; 2) The economic, technological or legal environment in which the enterprise operates, or the market where the long-term entity investment is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise; 3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the long-term entity investment will be affected, which will result in great decline of the recoverable amount of the long-term entity investment; 4) The long-term entity investment have been or will be left unused, or terminated for use, or disposed ahead of schedule; 5) Any evidence in the internal report of the enterprise shows that the economic performance of the long-term entity investment have been or will be lower than the expected performance, for example, the net cash flow created by long-term entity investment or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; 6) Other evidence indicates that the impairment of long-term entity investment has probably occurred.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Long-term equity investments *(continued)*

(d) Method of impairment test and recognition of provision *(continued)*

The recoverable value shall be ascertained in light of the higher one of the net amount of the selling fair value of the long-term equity investment and the current value of the expected future cash flow of the long-term equity investment. The Company estimates the recoverable value on the basis of individual long-term equity investment.

When the recoverable value of an individual long term equity investment is lower than its book value, the Company shall diminish the book value to the recoverable value The diminution amount shall be recorded into the profits and losses of the current period, and recognized the corresponding provision for impairment.

Once any provision for impairment is recognized, it shall not be written back within the assets' useful life

(11) Fixed assets

(a) Recognition

Fixed assets represent the tangible assets held by the Group for use in the production of goods, service rendering, and renting and operation management purposes with useful lives over 1 year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows (i) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise, (ii) The cost of the fixed asset can be measured reliably.

(b) Classification and depreciation method

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The useful lives, residual value rates of each class of fixed assets are as follows:

Classes of fixed assets	Useful lives	Residual value rate
Plants and buildings	10–20 years	3%–5%
Machinery and equipment	3–15 years	3%–5%
Other fixed assets	2–12 years	3%–5%

Fixed assets for which impairment provision has been made are depreciated based on the residual useful life and cost deducted scrap value and cumulative depreciation and provision Fixed asset, reached expected usable condition but the budget is not yet completed, shall be initially measured at estimated value and depreciated timely. After the completion of purchasing or construction of fixed asset, the initial cost shall be adjusted but the previous depreciation based on estimated value.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(11) Fixed assets *(continued)*

(b) Classification and depreciation method *(continued)*

The useful life estimated residual values and depreciation method of the fixed assets shall be checked at the end of each fiscal year, and be adjusted timely if necessary.

(c) Method of impairment test and measurement of provision

At the balance sheet date, the Group shall make a judgment on whether there is any sign of possible impairment exists, if there is, the group shall estimate the recoverable value of fixed assets and perform an impairment test.

1) where the current market price of assets falls, the fall is obviously higher than the expected drop over time or due to the normal use; 2) The economic, technological or legal environment in which the Group operates, or the market where the assets situated in will have any significant change in the current period or in the near future, and which will cause adverse impact on the enterprise; 3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets, 4) Any evidence shows that the assets have become obsolete or have been damaged substantially; 5) The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule; 6) Any evidence in the internal report of the Group shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; 7) Other evidence indicates that the impairment of assets has probably occurred.

The recoverable value shall be ascertained in light of the higher one of the net amount of the fair value of the fixed assets deducting the disposal costs and the present value of the expected future cash flow of the fixed assets. The recoverable value shall be estimated on the basis of single item assets. Where it is difficult to do so, it shall be ascertained on the basis of the asset group to which the asset belongs. The term "group assets" refers to a minimum combination of assets that may be recognized by an enterprise, by which the flow-in cash generated shall be generally independent of those by other assets or group assets.

When the recoverable value of an individual fixed asset or the asset group of which it belongs to, is lower than its book value, the Group shall write down the book value to the recoverable value. The diminution amount shall be recorded into the profits and losses of the current period, and recognized the corresponding provision for impairment. Once any provision for impairment is recognized, it shall not be reversed within the assets' useful life.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(11) Fixed assets

(d) Fixed assets gained through financial lease

The recognition criteria, valuation methods and depreciation methods of fixed assets obtained by financial lease, see Note (19).

(12) Construction in progress

Construction in progress includes technical renovation project, technical measures to project, project formed with scattered fixed assets. Construction in progress shall be initially measured at cost.

Construction in progress is transferred to fixed assets when it is ready for its intended use.

At the balance sheet date, the Group shall make a judgment on whether there is any sign of possible impairment exists based on following information, if there is, the group will estimate recoverable value of fixed asset and perform an impairment test.

1) Where the current market price of construction in progress falls, and its decrease is obviously higher than the expected drop over time or due to the normal use; 2) The economic, technological or legal environment in which the enterprise operates, or the market where the construction in progress is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise; 3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future casn flow of the constructions in progress will be affected, which will result in great decline of the recoverable amount of the constructions in progress; 4) Any evidence shows that the constructions in progress have become obsolete or have been damaged substantially; 5) The constructions in progress have been or will be left unused, or terminated for use, or disposed ahead of schedule; 6) Any evidence in the internal report of the enterprise shows that the economic performance of the constructions in progress have been or will be lower than the expected performance, for example, the net cash flow created by constructions in progress or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc , 7) Other evidence indicates that the impairment of constructions in progress has probably occurred

The recoverable value shall be ascertained in light of the higher one of the net amount of the fair value of the construction in progress deducting the disposal costs and the present value of the expected future cash flow of the construction in progress. The recoverable value shall be estimated on the basis of single item constructions in progress. Where it is difficult to do so, it shall be accrued on the basis of the asset group to which the construction in progress belongs. The term "group assets" refers to a minimum combination of constructions in progress that may be recognized by an enterprise, by which the flow-in cash generated shall be generally independent of those by other assets or group assets.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(12) Construction in progress *(continued)*

When the recoverable value of an individual construction in progress or the asset group of which it belongs to, is lower than its book value, the Group shall diminish the book value to the recoverable value. The diminution amount shall be recorded into the profits and losses of the current period, and recognized the corresponding provision for impairment. Once any provision for impairment is recognized, it shall not be revered within the assets' useful life.

(13) Borrowing costs

The borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange difference on foreign currency translation concerning borrowings. Borrowing costs incurred directly attributable to the acquisition, construction of a qualified asset are capitalized as part of the cost of the asset. Except for the above, other borrowing costs are recognized as financial expenses in the income statement when incurred.

(a) Recognition and Measurement

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

(i) The asset disbursements have already incurred; (ii) The borrowing costs have already incurred; (iii) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(b) Capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

While qualified asset under acquisition, construction or production is ready for the intended use or sale, the capitalization of the borrowing shall be ceased; after qualified asset under acquisition and construction or production is ready for the intended use or sale. The borrowing costs shall be recorded into the profits and losses of the current period when they are incurred.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(13) Borrowing costs *(continued)*

(c) Calculation of borrowings

During the period of capitalization, the to-be-capitalized amount of interests (including the amortization of discounts or premiums) in each accounting period shall be ascertained according to the following provisions:

(i) As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be ascertained in light of the actual cost incurred of the specially borrowed loan at the present period minus income generated from unused borrowing loan as a deposit or a temporary investment.

(ii) Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, The Group shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specific borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and ascertained in light of the weighted average interest rate of the general borrowing.

(14) Intangible assets

(a) Initial Measurement

The intangible assets shall be initially measured according to its cost. The cost of intangible assets is ascertained by following methods:

(i) The cost of purchased intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be ascertained on the basis of the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be recorded into profit or loss for the credit period, unless it shall be capitalized under the Accounting Standards for Enterprises No. 17 Borrowing Cost.

(ii) The cost of intangible assets invested by investors shall be ascertained according to the conventional value stipulated in the investment contract or agreement, except it is unfair.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(14) Intangible assets *(continued)*

(a) Initial Measurement *(continued)*

(iii) The cost of self-developed intangible assets shall include the total expenditures incurred during the period from the time when it meets the provisions of Articles 4 to 9 of these Standards to the time when the expected purposes of use are realized, except that the expenditures which have already been treated Last to the said period shall not be adjusted.

(iv) The costs of intangible assets obtained from non-monetary assets transaction, debt recombination, government grants, and merger of enterprises shall be ascertained respectively according to the Accounting Standard for Business Enterprises No. 7 Exchange of non-monetary assets, Accounting Standard for Business Enterprises No. 12 Debt Restructurings, Accounting Standard for Business Enterprises No 16 Government Grants and Accounting Standard for Business Enterprises No. 20 -Business Combinations.

(b) Subsequent measurement

The Group shall analyze and judge the service life of intangible Assets when it obtains intangible assets. The service life is ascertained according to the period through which it can bring economic benefits to the group. If the period when the intangible asset can bring economic benefits to the enterprise is uncertain, the intangible asset shall be regarded as an intangible asset with indefinite service life.

With regard to intangible assets with limited service life, its amortization amount shall be amortized within its service life systematically and reasonably. The group amortized intangible assets by straight-line method The respective amortization periods for each intangible asset are listed as follows

Items	Amortization period
Land using rights	50 years
Acquired software	3–10 years
Industrial technology	6–10 years

The reasonable amortization amount of intangible assets shall be its cost minus the expected residual value. For intangible assets with an impairment provision, the accumulative amount of impairment provision shall be deducted from the cost as well. Intangible assets with indefinite service life shall not be amortized.

The Group shall, at least at the end of each year, check the service life and the amortization method of intangible assets with definite service life and adjust its service life if necessary.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(14) Intangible assets *(continued)*

(b) Subsequent measurement *(continued)*

The Group shall check the service life of intangible assets with indefinite service life during each accounting period. Where there are evidences to prove the intangible assets have limited service life, it shall be estimated of its service life, and be treated according to these Standards. The group has no intangible assets with indefinite service life.

(c) Expenditures on research and development

Expenditures on an internal research and development project are classified into expenditures on the research phase and expenditures on the development phase. Research expenditures shall be recorded into current profits and loses while development expenditures may be confirmed as intangible assets when they satisfy the following conditions simultaneously:

(i) It is feasible technically to finish intangible assets for use or sale;

(ii) It is intended to finish and use or sell the intangible assets;

(iii) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

(iv) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

(v) The development expenditures of the intangible assets can be reliably measured.

(d) Method of impairment test and measurement of provision

The Group shall, on the day of balance sheet, make a judgment on whether there is any sign of possible assets impairment as follows. If there is, the Group shall estimate recoverable amount and perform impairment test. The Group shall perform impairment test each year on intangible assets with indefinite service life whether there are signs of impairment or not.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(14) Intangible assets *(continued)*

(d) Method of impairment test and measurement of provision *(continued)*

(i) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use; (ii) The economic, technological or legal environment in which the Group operates, or the market where the assets situated in will have any significant change in the current period or in the near future, which will cause adverse impact on the Group; (iii) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the Group for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets; (iv) The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule; (v) Any evidence in the internal report of the Group shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; (vi) Other evidence indicates that the impairment of assets has probably occurred.

The recoverable amount shall be ascertained in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets. The Group shall, on the basis of single item assets, estimate the recoverable amount of intangible assets. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs. The recognition of an asset group shall base on whether the main cash inflow generated by the asset group is independent of those generated by other assets or other group assets.

The carrying value of the asset shall be written down to the recoverable amount while the measurement result of the recoverable amount indicates that the recoverable amount of an asset is lower than its carrying value, and the written down shall be recognized as impairment loss recorded into current profit or loss and as provision simultaneously. Once any loss of asset impairment is recognized, it shall not be reversed back within the assets' useful life.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(15) Projected Liability

(a) Recognition basis

The obligation, pertinent to Contingencies such as external guarantee, pending litigation or arbitration, lay-off plan, product assurance deposit, onerous contracts, obligation of restructuring, decommissioning obligation, shall be recognized as projected liability when the following conditions are satisfied simultaneously:

(i) That obligation is a current obligation of the Group; (ii) It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; (iii) The amount of the obligation can be measured in a reliable way.

(b) Measurement method

The projected liability shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group shall fully take into consideration of the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. If the time value of money is of great significance, the best estimate shall be ascertained after discounting the relevant future outflow of cash. The Group shall check the book value of the projected liability at the balance sheet date. If there is any obvious evidence indicating that the book value cannot really reflect the present best estimate, the group shall adjust the book value of projected liability in accordance with the present best estimate.

(16) Revenue

(a) The recognition of the revenue from selling goods

The revenue from selling goods shall be recognized when the following conditions are met simultaneously:

(i) The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Group; (ii) The Group retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods, (iii) The relevant amount of revenue can be measured reliably; (iv) It is probable that relevant economic benefit will flow into the Group, (v) The costs of selling goods, incurred or will incur, can be measured reliably.

The Group recognized the revenue from selling goods based on fair value of amount that received or receivable on the contract or agreement.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(16) Revenue *(continued)*

(b) The recognition of the revenue from rendering of services

When the outcome of a transaction involving the rendering of service can be estimated reliably, revenue from the rendering of service shall be recognized in the income statement by reference to the stage of completion of the transaction based on the proportion of services performed to date to the total services to be performed.

Where the outcome of service rendering cannot be estimated reliably, the revenue and cost shall be respectively treated as following:

(i) If the costs incurred are expected to be recoverable, revenues are recognized to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost;

(ii) If the costs incurred are not expected to be recoverable, the costs incurred are recognized in profit or loss and no service revenue is recognized.

(c) Revenue from leasing use right of assets

(i) Principle of recognition:

The revenue from leasing use right of assets consists of interest revenue and royalty revenue. Revenue from leasing use right of assets may be recognized when the following conditions are met simultaneously:

1) The relevant economic benefits are likely to flow into the Group;

2) The amount of revenues can be measured reliably.

(ii) Method of recognition:

1) The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Group's cash is used by others and the effective interest rate;

2) The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(17) Government grants

Government grants consist of the government grants pertinent to assets and government grants pertinent to income.

(a) Recognition

No government grants may be recognized unless the following conditions are met simultaneously as follows.

(i) The Group can meet the conditions for the government grants; (ii) The Group can obtain the government grants.

(b) Measurement

(i) If government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

(ii) Government grant pertinent to an asset is recognized initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognized initially as deferred income and recognized in profit or loss in the same periods in which the expenses are recognized. A grant that compensates the Group for expenses incurred is recognized in profit or loss immediately.

(iii) if it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows: If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; if there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

(18) Deferred income tax assets or deferred income tax liabilities

Where there is difference (temporary difference) between the carrying amounts of the assets or liabilities and its tax base, or temporary difference of items that is not recognized as asset or liability but can ascertain its tax base according to tax law, the deferred income tax assets or the deferred income tax liabilities shall be ascertained using balance sheet liability method.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(18) Deferred income tax assets or deferred income tax liabilities *(continued)*

(a) Recognition of deferred income tax assets

As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be ascertained to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained, except:

(i) The deductible temporary difference arising from the following: The transaction is not business combination, and at the same time of transaction, the accounting profits will not be affected, nor the taxable amount (or the deductible loss)

(ii) Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises can meet the following requirements simultaneously, The Group shall recognize the corresponding deferred income tax assets: The temporary differences are likely to be reversed in the expected future; It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences

(b) Deferred income tax liabilities

Except for the deferred income tax liabilities arising from the following transactions, the Group shall recognize the deferred income tax liabilities arising from all taxable temporary differences:

(i) The taxable temporary differences arising from followings:

1) The initial recognition of business reputation;

2) The initial recognition of assets or liabilities arising from the following: The transaction is not business combination, and at the same time of transaction, the accounting profits will not be affected, nor the taxable amount (or the deductible loss).

(ii) The taxable temporary differences related to the investments of subsidiary companies, associated enterprises and contractual enterprises: The investing enterprise can control the time of the reverse of temporary differences; and the temporary differences are unlikely to be reversed in the excepted future.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(19) Leases

(a) Financial lease and operating lease

Where a lease satisfies one or more of the following criteria, it shall be recognized as a finance lease:

(i) The ownership of the leased asset is transferred to the lessee when the term of lease expires; (ii) The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably ascertained that the option will be exercised; (iii) Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset (general refer to 75% or above); (iv) In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially (general refer to 90% or above) the fair value of the leased asset on the lease beginning date; in the case of the leaser, the present value of the minimum lease receipts on the lease beginning date amounts to substantially (general refer to 90% or above) the fair value of the leased asset on the lease beginning date; (v) The leased assets are of a specialized nature that only the lessee can use them without making significant modifications.

Lease except financial lease is operating lease

(b) Accounting treatments in finance leases

(i) Accounting Treatments of Lessees:

On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded into the asset value of the current period. The unrecognized financing charge shall according to the effective interest rate method to calculate and recognize the financing charge in the current period. Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

Notes to the financial statements *(continued)*

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(19) Leases *(continued)*

(b) Accounting treatments in finance leases *(continued)*

(i) Accounting Treatments of Lessees: *(continued)*

In calculating the depreciation of a leased asset, the Group should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(ii) Accounting Treatments of lessor

On the beginning date of the lease term, recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The lessor shall calculate the financing income at the current period by adopting the effective interest rate method. Contingent rents shall be recorded into the profits and losses of the period in which they actually arise

(c) Accounting treatments in operating leases

The rents from operating leases shall be recorded by the lessor and lessee in the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs incurred to a lessor and lessee shall be recorded into the profits and losses of the current period. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(20) Significant changes of accounting policies

In terms of the requirement of document "Interpretation of accounting standards No.3"(CAI KUAI [2009] No.8), safety production expenses should be recognized in the special reserves. As a result of retrospective adjustment of safety production expenses, the beginning balance of shareholders equity is totally increased by RMB 5 million including increased the beginning balance of special reserve by 21 million and decreased the beginning balance of surplus reserve by 21 million; increased the beginning balance of deferred tax assets 5 million and decreased the deferred income tax expenses by 2 million at the year of 2007 and by 3 million at the year of 2008 respectively.

PUBLIC FILE

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

5. TAXATION

(1) Principal tax and tax rate

Type of tax	Taxation basis	Tax rate
VAT	Output VAT less input VAT	13%,17%
Business tax	Taxable income	3%, 5%
City construction and maintenance tax, Education surcharge and local education surcharge	Paid circulating tax	7%,3%,1%
Custom duty	FOB	5%-15%
Corporate income tax	Taxable income	25%

(2) Tax preference and official documents

According to the Enterprise Income Tax Law promulgated on March 16, 2007(Order of the President [2007] No.63), the Group enjoyed tax exemption relating to enterprise technology and development cost amounting to 251 million.

(3) Others

Other taxes paid complying with relevant tax laws of PRC.

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENT

(1) Subsidiary

(a) Subsidiaries acquired by set up method

Full name	Type of subsidiary	Registration place	Nature of the business	Registered capital	Business scope	Actual Investment at the end of the year	Other essential investment
Angang Steel Distribution (Wuhan) Co., Ltd ("Angang Wuhan")	Wholly-owned subsidiary	Wuhan	Steel Processing and Distribution	60	Steel and related products production, processing, wholesale and retail	60	

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENT *(continued)*

(1) Subsidiary

(a) Subsidiaries acquired by set up method *(continued)*

Full name	The proportion of shareholding (%)	The Proportion of voting-right (%)	Included in consolidated statements	Minority Interest	Deductible minority interest	Balance of parent Group's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Angang Steel Distribution (Wuhan) Co., Ltd	100	100	Yes			

(b) Subsidiaries acquired by business combination not under common control

Full name	Type of subsidiary	Registration place	Nature of the business	Registered capital	Business scope	Actual investment at the end of the year	Other essential investment
Tianjin Angang Tiantie Cold Rolled Sheets Group Limited ("Tianjin Tiantie")	Equity joint venture	Tianjin	Steel processing Distribution	3,700	Steel processing and sale	1,407	

Full name	The proportion of shareholding (%)	The Proportion of voting-right (%)	Included in consolidated statements	Minority Interest	Deductible minority interest	Balance of parent Group's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Tianjin Angang Tiantie Cold Rolled Sheets Group Limited	50	50	Yes	1,366		

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENT *(continued)*

(2) The change of the consolidation scope

Tianjin Tiantie was established jointly by the Group and Tianjin metallurgical holding ("Tiantie group").The proportion of shareholding of two parts is 50% respectively. According to the Articles of Tianjin Tiantie:

(a) Tiantie's financial and operational policy is in conformance with that of the Group.

(b) Chairman of the board is recommended by the Group.

(c) The board consists of nine directors of which five are recommended by the Group and four are recommended by the Tiantie Group (Resolution of the board passed by agreed over half of the directors of board).

(d) Financial controller is recommended by the Group.

For above-listed reasons, the Group has control power over the Tianjin Tiantie, so Tianjin Tiantie is included among consolidation scope.

(3) Subsidiaries that included in consolidation scope first time this year

Name	Net assets at the end of the year	Net profits of the year
Tianjin Tiantie	**2,731**	(82)

Note: The Group invested RMB 975 millions to Tianjin Tiantie up to date of 31 Dec 2008 according to the joint operation agreements signed with Tiantie group on 26 Sep 2008 and 12 Dec 2008 respectively, acquired 34.51% of shares of Tianjin Tiantie. The Group increased investment in Tianjin Tiantie by RMB 432 millions on 29 Sep.,2009 and the proportion of shareholding reached to 50%. Tianjin Tiantie was included among the Group's consolidation scope on 30 Sep.,2009.

(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the notes below(including notes to parent financial statements), unless otherwise special indicated, the ending of the year is 31 Dec.2009, the beginning of the year is 1 Jan. 2009, the "this year" is twelve months ended at 31 Dec.2009, the "last year" is twelve months ended at 31 Dec.2008.

(1) CASH AT BANKS AND ON HAND

Items	Ending balance	Beginning balance
Cash on hand	**1**	1
Cash at banks	**1,542**	2,973
Other monetary capital	**699**	
Total	**2,242**	2,974

(2) BILLS RECEIVABLE

(a) Classification of bills receivable

Items	Ending balance	Beginning balance
Bank acceptance bills	**3,396**	2,583
Total	**3,396**	2,583

Note: The ending balance of bills receivable was increased by 31% comparing with beginning balance due to following reasons: 1) Products sales increased at the end of the year, thus the bills received from the clients increased correspondingly; 2) Tianjin Tiantie was consolidated into the Group.

(b) As at 31 Dec, 2009, no bills receivable is used for mortgage.

(c) For this year, there was no bills receivable transferred to accounts receivable due to that the issuer is unable to honor its commitment.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(2) BILLS RECEIVABLE *(continued)*

(d) Outstanding undue endorsed bills

Issuer	Issuing date	Expire date	Balance
Beijing North Vehicle Logistics Development Co., Ltd.	Jul to Nov 2009	Jan to Apr 2010	261
Anshan Ordnance Materials Corporation	Jul to Dec 2009	Jan to Jun 2010	216
Ye Hui (China) Technology Material Co., Ltd	Jul to Oct 2009	Jan to Apr 2010	154
China Railway Materials (Shenyang,) Group	Jul to Dec 2009	Jan to May 2010	139
Funakoshi Automobile Material (Wuhan) Co., Ltd.,	Sep to Dec 2009	Jan to Apr 2010	97
Total			867

(3) ACCOUNTS RECEIVABLE

(a) Classified by account nature

Items	Ending balance			
	Book balance		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Significant amount of individual accounts receivable	**1,676**	**95**		
Other insignificant accounts receivable	**94**	**5**		
Total	**1,770**	**100**		

Items	Beginning balance			
	Book balance		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Significant amount of individual accounts receivable	1,119	91		
Other insignificant accounts receivable	116	9		
Total	1,235	100		

Note: 1) The company regard account receivables above 30 million as account receivable with single significant amount.

2) The ending balance of accounts receivable was increased by 43%, due to increase of accountable receivable from credit sale and big customer with the market effect.

(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(3) ACCOUNTS RECEIVABLE

(b) Bad debt provision accrued at the end of the year:

The management considered that significant accounts receivable could be recovered and the debtors is able to honor their commitment, so bad debt provision rate is relatively low.

(c) The total amounts of accounts receivable due from shareholders with more than 5% (including 5%) voting shares of the Group at the end of the year is disclosed as follows:

	Ending balance		Beginning balance	
Debtor	**Balance**	**Bad debt provision**	Balance	Bad debt provision
Angang holding	2		97	
Total	2		97	

(d) As at 31 Dec. 2009, the total amounts of accounts receivable due from the Group's top five debtors is disclosed as follows:

Debtors	Relationship	Amounts	Duration	Percentage (%)
Angang Group International Trade Corporation ("Angang Trade")	Fellow subsidiary	896	Within 1 month	51
FAW Purchasing Center	Third party	474	Within 4 months	27
China petroleum chemical industry Co., LTD. Supplies equipment department	Third party	128	Within 1 month	7
ANSC-TKS Changchun Steel Logistics Co., Ltd ("TKAS-SSC")	Jointly controlled enterprise	98	Within 1 month	6
China Petroleum Materials Corporation	Third party	80	Within 2 months	4
Total		1,676		95

(e) There was amount of 1,021 million at the ending balance due from other related parties, accounted for 58% of accounts receivable, the related parties transactions disclosed in Note:9 (3)(g)

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(4) OTHER RECEIVABLES

(a) Classified by account nature

	Ending balance			
	Book balance		Bad debt provision	
Type	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Individual other receivables with Significant amount				
Other insignificant other receivables	**19**	**100**		
Total	**19**	**100**		

	Beginning balance			
	Book balance		Bad debt provision	
Type	Amount	Percentage (%)	Amount	Percentage (%)
Individual other receivables with significant amount	60	77		
Other insignificant other receivables	18	23		
Total	78	100		

Note:

1) The company regard other receivables above 10 millions as other receivables with single significant amount.

2) The ending balance of other receivables was decreased by 76% comparing with beginning balance. The decrease was due to 60 million other receivable due from Heilongjiang Longmay Mining Group Co., Ltd. ("Longmay Group") transferred to a long-term equity investment. For details see the related party transaction disclosed in Note. (9).

(b) Bad debt provision for other receivable at the end of the year

The management has opinion that most of other receivables at the end of the year can be repaid and debtors have capability of repayment, so percentage of provision is comparably low.

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(5) PREPAYMENTS

(a) The aging analysis of prepayments

Aging	Ending balance Amount	Ending balance Percentage (%)	Beginning balance Amount	Beginning balance Percentage (%)
Within 1 year	**5,241**	**85**	1,579	58
1 to 2 years	**521**	**8**	1,152	42
2 to 3 years	**450**	**7**		
Total	**6,212**	**100**	2,731	100

Note: The prepayments aged more than one year were prepaid to Angang Trade for importing equipment and spare parts.

(b) At 31 Dec. 2009, top five debtors were as follows:

Debtors	Relationship	Amounts	Aging	Reason for unsettlement
Angang Trade	Fellow subsidiary	4,551	Within 2 years	undue
Tianjin Tiantie Metallurgy Trade Group Co., Ltd.	Third party	298	Within 1 year	undue
China First Heavy Machinery Group Group	Third party	271	Within 3 years	undue
Tianjin Foreign Trade Group, NickelImport and Export Trading Group	Third party	190	Within 1 year	undue
Tianjin Metallurgical Rolling Iron and Steel Group Co., Ltd	Third party	112	Within 1 year	undue
Total		5,422		

(c) No amount due from shareholders with more than 5% (including 5%) of the voting shares of the Group was included in the above balance of prepayments.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(6) INVENTORIES

(a) An analysis of inventories by types

	Ending balance		
Items	**Book value**	**Provision for diminution of inventory value**	**Carrying value**
Raw materials	**2,681**	**23**	**2,658**
Work in progress	**2,671**	**10**	**2,661**
Finished goods	**1,580**	**9**	**1,571**
Consumables	**1,285**		**1,285**
Spare parts	**2,468**		**2,468**
Materials in transit	**4**		**4**
Outsourcing material	**11**		**11**
Total	**10,700**	**42**	**10,658**

	Beginning balance		
Items	Book value	Provision for diminution of inventory value	Carrying value
Raw materials	4,284	978	3,306
Work in progress	3,866	644	3,222
Finished goods	1,234	382	852
Consumables	1,084		1,084
Spare parts	1,906		1,906
Materials in transit	2		2
Outsourcing material			
Total	12,376	2,004	10,372

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(6) INVENTORIES *(continued)*

(b) An analysis of provision for diminution in value of inventories:

Items	Beginning balance	Provision withdrawn for the year	Decrease of the year: Written back	Decrease of the year: Written off	**Ending balance**
Raw materials	978	187		1,142	**23**
Work in progress	644	361		995	**10**
Finished goods	382	129		502	**9**
Total	2,004	677		2,639	**42**

(c) Analysis of provisions for diminution in value of inventories

(i) The market price of steel products dropped this year which resulted in the net realizable value of finished goods and the relevant raw materials is lower than the cost, therefore, provision for diminution in value of inventories is made at the end of the year.

(ii) The reason that Provision for diminution in value of inventories decreased was due to corresponding products had been sold, so the relevant provision had been transferred to cost of sale.

(7) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Items	**Ending balance**	Beginning balance
Available-for-sale equity instrument	**161**	45
Total	**161**	45

Note: The Ending balance was decreased by 258% due to the Group subscribed 10 million A share common stock of Zhuzhou Smelter Group Ltd through non public offering. Market value of the stock was 45 million at the end of the last year (RMB 4.49 per share). Market value of the stock was 161 million at the end of the year (RMB 16.16 per share)

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(8) INVESTMENT IN JOINTLY CONTROLLED ENTERPRISES AND ASSOCIATES

(i) Particulars of jointly controlled enterprises of the Group

Name of investee	Type	Registration Place	Legal repre-sentative	Nature of business	Registered capital	The proportion of share-holding (%)	The proportion of voting-rights (%)
ANSC-TKS Galvanizing Co., Ltd ("ANSC-TKS")	Sino-Foreign Cooperative Venture	Dalian	Le Ku	Steel processing	USD132 million	50	50
ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Group Limited ("ANSC-Dachuan")	Limited Liability Group	Dalian	Daqing Lin	Steel processing and sale	RMB380 million	50	50
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	Sino-Foreign Cooperative Venture	Changchun	Baoge Li	Steel production processing and service	RMB390.374 million	50	50
TKAS-SSC	Sino-Foreign Cooperative Venture	Changchun	Yanping Wang	Steel processing and sale	USD12 million	50	50

Name of investee	Total assets at the end of the year	Total liabilities at the end of the year	Total net assets at the end of the year	Total revenue in the this year	Net profit in the this year
ANSC-TKS	2,685	1,312	1,373	2,033	146
ANSC-Dachuan	1,641	1,244	397	1,286	14
Changchun FAM	307	200	107	492	10
TKAS-SSC	414	341	73	438	7

125

PUBLIC FILE

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(8) INVESTMENT IN JOINTLY CONTROLLED ENTERPRISES AND ASSOCIATES *(continued)*

(ii) Particulars of associates of the Group

Name of investee	Type	Registration Place	Legal representative	Nature of business	Registered capital	The proportion of shareholding (%)	The proportion of voting rights (%)
TKAS Angang Shenyang Steel Product Processing and Distribution Group Limited ("Angang Shenyang")	Limited Liability Group	Shenyang	Guangjie Zhao	Tailored blanks processing	RMB48 million	30	30
(Changchun) Tailored Blanks Ltd ("TKAS")	Sino-Foreign Joint Venture	Changchun	Manfred Nag	Steel processing and logistic	USD10 million	45	45
(Chan Angang entity group packing packaging belt Co ltd ("Entity Packing")	Limited Liability Group	Anshan	Guangyu Mao	Packaging steel belt and steel processing	RMB35.73 million	30	30
Angang Finance Corporation	Limited Liability Group	Anshan	Wanyuan Yu	Deposit finance	RMB1000 million	20	20
Tianjing Tantie Binhai Metallurgical Industry Co., Ltd ("Binhai Industry")	Limited Liability Group	Tianjin	Deqi Jia	Service	RMB35 million	30	30

Name of investee	Total assets at the end of the year	Total liabilities at the end of the year	Total net assets at the end of the year	Total revenue in the this year	Net profit in the this year
Angang Shenyang	153	103	50	520	2
TKAS	172	76	96	254	15
Entity Packing	34	7	27	5	(5)
Angang Finance	19,271	17,283	1,988	605	387
Binhai Industry	30	23	7	39	

Notes to the financial statements *(continued)*

For the year 2009 (Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(9) LONG-TERM EQUITY INVESTMENT

(a) An analysis of long-term equity investments by types

Type	Beginning balance	Increase of the year	Decrease of the year	Ending balance
Investment in jointly controlled enterprises	864	72	2	**934**
Investment in associates	1,388	58	981	**465**
Other equity investments	10	220		**230**
Less: Provision for impairment of long-term equity investment				
Total	2,262	350	983	**1,629**

(b) Details for long-term equity investments

Name of investee	Accounting method	Initial investment cost	Beginning balance	Variation of the year	Ending balance
ANSC-TKS	Equity method	533	587	65	**652**
ANSC-Dachuan	Equity method	190	191	7	**198**
Changchun FAM	Equity method	45	54	(1)	**53**
TKAS-SSC	Equity method	48	32	(1)	**31**
Angang Shenyang	Equity method	14	17	(4)	**13**
TKAS	Equity method	37	40	3	**43**
Entity Packing	Equity method	11	10	(1)	**9**
Angang Finance	Equity method	315	346	52	**398**
Binhai Industry	Equity method	2		2	**2**
WISDRI Engineering and Research Incorporation Limited("WISDRI")	Cost method	10	10		**10**
Longmay Group	Cost method	220		220	**220**
Tianjin Tiantie	Cost method	975	975	(975)	
Total			2,262	(633)	**1,629**

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(9) LONG-TERM EQUITY INVESTMENT *(continued)*

(b) Details for long-term equity investments *(continued)*

Name Of investee	The proportion of Shareholding (%)	The proportion of voting-rights (%)	Note for difference between proportions of voting-rights and shareholding	Provision for impairment	Provision for impairment accrued this year	Cash dividends
ANSC-TKS	50	50				
ANSC-Dachuan	50	50				
Changchun FAM	50	50				4
TKAS-SSC	50	50				
Angang Shenyang	30	30				
TKAS	45	45				3
Entity Packing	30	30				
Angang Finance	20	20				30
Binhai Industry	30	30				
WISDRI	7	7				10
Longmay Group	1	1				
Tianjin Tiantie	50	50				
Total						47

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(10) FIXED ASSETS

(a) Analysis of fixed assets

Items		Beginning balance	Increase of the year	Decrease of the year	**Ending balance**
Cost		60,490	17,065	198	**77,357**
Of which:	Buildings and Plants	16,685	4,736	18	**21,403**
	Machineries and Equipments	40,820	11,652	179	**52,343**
	Others	2,985	677	51	**3,611**
Accumulated depreciation		17,082	6,483	141	**23,424**
Of which:	Buildings and Plants	3,089	1,122	4	**4,207**
	Machineries and Equipments	12,763	4,928	90	**17,601**
	Others	1,230	433	47	**1,616**
Net book value		43,408	10,582	57	**53,933**
Of which:	Buildings and Plants	13,596	3,614	14	**17,196**
	Machineries and Equipments	28,057	6,724	39	**34,742**
	Others	1,755	244	4	**1,995**
Provision for impairment		156	6	34	**128**
Of which:	Buildings and Plants	23	3	10	**16**
	Machineries and Equipments	127	3	21	**109**
	Others	6		3	**3**
Book value		43,252			**53,805**
Of which:	Buildings and Plants	13,573			**17,180**
	Machineries and Equipments	27,930			**34,633**
	Others	1,749			**1,992**

(Expressed in RMB million
unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(10) FIXED ASSETS *(continued)*

(a) Analysis of fixed assets *(continued)*

Note:

1) The depreciation of this year was 6,262 million.

2) During this year, the cost that the construction in progress transferred into fixed assets was 14,692 million.

3) According to the expert opinion of the asset management departments, provision for impairment is made for the fixed assets ,which could not bring economic benefits to the enterprise, due to technological obsolescence, damage, or other reasons, and the provision amount to the difference between the carrying amount and recoverable amount. The recoverable amount was calculated based on estimated net cash flows arising from the normal usage during the estimated useful life and the asset disposal.

(b) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Book value	*Notes*
Buildings and Plants	2	1		1	Rebuild
Machineries and Equipments	83	45	31	7	Renovation
Others	14	10	3	1	Renovation
Total	99	56	34	9	

(c) The group had no financial leased fixed asset from others at 31 Dec.2009

(d) Operating leased fixed asset to others

Items	Cost	*Notes*
Buildings and Plants	38	
Machineries and Equipments	6	
Total	44	

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(11) CONSTRUCTION IN PROGRESS

(a) Analysis of construction in progress

	Ending balance			Beginning balance		
		Provision for			Provision for	
Items	Book balance	impairment	Book value	Book balance	impairment	Book value
Bayuquan project	3,240		3,240	8,475		8,475
Tiantie project	1,875		1,875			
High capability cold rolling silicon steel production line	2,988		2,988	1,267		1,267
1450 cold rolling production line				122		122
Chemical plant renovation	2		2	310		310
New 4#,5# and 7# furnace	165		165	837		837
3# casting machine	187		187	16		16
Seamless 177 petroleum pipeline	200		200	20		20
Wire production line renovation	326		326	58		58
Oxygen producer	194		194	262		262
Central power station	301		301	142		142
Continuous rolling line of western district	5		5	5		5
3rd furnace renovation				143		143
Others	1,105		1,105	890		890
Total	10,588		10,588	12,547		12,547

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(11) CONSTRUCTION IN PROGRESS *(continued)*

(b) Change in main project of construction in progress

Items	Budget	Beginning balance	Increase of the year	Transferred into fixed assets	Other decrease	Ending balance
Bayuquan project	33,800	8,475	6,022	11,257		**3,240**
Tiantie project	5,975		1,875			**1,875**
High capability cold rolling silicon steel production line	3,130	1,267	1,721			**2,988**
1450 cold rolling production line	2,900	122	73	195		
Chemical plant renovation	2,589	310	194	502		**2**
New 4th, 5th and 7th furnace	1,415	837	356	1,028		**165**
3rd casting machine	955	16	171			**187**
Seamless 177 petroleum pipeline	817	20	180			**200**
Wire production line renovation	776	58	268			**326**
Oxygen producer	518	262	225	293		**194**
Central power station	350	142	159			**301**
Continuous rolling line of western district	273	5				**5**
3rd furnace renovation	265	143	115	258		
Others		890	1,374	1,159		**1,105**
Total		12,547	12,733	14,592		**10,588**

118

PUBLIC FILE

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(11) CONSTRUCTION IN PROGRESS *(continued)*

(b) Change in main project of construction in progress *(continued)*

Items	Accumulated capitalized borrowing cost	Of which: capitalized this year	Capitalization rate (%)	Expenditure of budget (%)	Project progress (%)	Resource of capital
Bayuquan project	1,364	347	3.96	82	82	Self-financing, Special borrowings, Issued stock
Tiantie project	49	25	5.68	31	31	Self-financing
High capability cold rolling silicon steel production line	222	136	5.48	89	89	Self-financing
1450 cold rolling production line	126			92	100	Self-financing, Borrowings
Chemical plant renovation	102	11	5.48	87	94	Self-financing
New 4th, 5th and 7th furnace	68	32	5.48	97	94	Self-financing
3rd casting machine	3	3	5.48	20	20	Self-financing
Seamless 177 petroleum pipeline	26	7	5.48	86	86	Self-financing
Wire production line renovation	14	11	5.48	41	41	Self-financing
Oxygen producer	39	21	5.48	87	97	Self-financing
Central power station	15	12	5.48	82	92	Self-financing
Continuous rolling line of western district	11			75	77	Self-financing
3rd furnace renovation	10	4	5.48	97	97	Self-financing
Borrowings						
Others	120	74				Self-financing, Borrowings
Total	2,190	684				

Note: The self-financing consisted of non-special borrowings and gains from operating

(c) As at 31 Dec, 2009, no book value of construction in progress was higher than its realizable value.

For the year 2009 (Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(11) CONSTRUCTION IN PROGRESS *(continued)*

(d) Project schedule of main construction in progress

Items	Project progress (%)
Bayuquan project	82
Tiantie project	31
High capability cold rolling silicon steel production line	89
1450 cold rolling production line	100
Chemical plant renovation	94
New 4#, 5# and 7# furnace	94
3# casting machine	20
Seamless 177 petroleum pipeline	88
Wire production line renovation	41
Oxygen producer	87
Central power station	82
Continuous rolling line of western district	77
3rd furnace renovation	97

(12) CONSTRUCTION MATERIAL

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
Bayuquan project	4,998	3,794	6,600	**2,192**
Tiantie project		95	78	**17**
High capability cold rolling silicon steel production line	645	384	1,023	**6**
1450 cold rolling production line	96	24	120	
Chemical plant renovation	82	71	109	**44**
New 4#, 5# and 7# furnace	24	48	70	**2**
3# casting machine	1	58	53	**6**
Seamless 177 petroleum pipeline	60	63	122	**1**
Wire production line renovation		172	171	**1**
Oxygen producer	143	2	145	
Central power station	26	76	100	**2**
3rd furnace renovation	18	8	10	**16**
Others	149	3,113	3,215	**47**
Total	6,242	7,908	11,816	**2,334**

Note: The ending balance of construction material was decreased by 62% comparing with the beginning balance due to the reduction of construction in progress

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(13) INTANGIBLE ASSETS

Items	Beginning balance	Increase of the year	Decrease of the year	**Ending balance**
Total cost	7,222	458		**7,680**
Land use rights	7,181	458		**7,639**
Software	9			**9**
Non-patented technology	32			**32**
Accumulative amortization	461	158		**619**
Land use rights	442	151		**593**
Software	5	2		**7**
Industrial technology	14	5		**19**
Total net book value	6,761	300		**7,061**
Land use rights	6,739	307		**7,046**
Software	4	(2)		**2**
Non-patented technology	18	(5)		**13**
Total provision for impairment				
Land use rights				
Software				
Non-patented technology				
Total book value	6,761			**7,061**
Land use rights	6,739			**7,046**
Software	4			**2**
Non-patented technology	18			**13**

Note: The amortization amount was 155 million this year

(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(14) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES

(a) Recognized deferred income tax assets and deferred income tax liabilities

Items	Ending balance	Beginning balance
Deferred income tax assets		
Provision for diminution in value of inventories	**10**	501
Provision for impairment against fixed assets	**32**	39
Accumulated depreciation of fixed asset	**5**	5
Salaries payable	**46**	42
Termination benefits	**25**	36
Safety production expense	**13**	5
Employee training expenses	**10**	6
Adjustment for unrealized inter-Group profit	**28**	12
Fair value variation on available-for-sale financial asset		9
Government grant	**28**	9
Deductible losses	**915**	438
Total	**1,112**	1,102
Deferred income tax liabilities		
Fair value variation on available-for-sale financial asset	**20**	
Capitalized borrowing cost of general purpose loan	**41**	47
Total	**61**	47

(b) As at 31 Dec.2009, there was no temporary difference or deductible loss in connection with which the deferred income tax assets was not recognized.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(14) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES *(continued)*

(c) Temporary differences

Items	Amounts of the temporary differences
Provision for diminution in value of inventories	42
Provision for impairment against fixed assets	128
Accumulated depreciation of fixed asset	22
Salaries payable	182
Termination benefits	102
Safety production expense	50
Employee training expenses	39
Adjustment for unrealized Inter-Group profit	112
Fair value variation on available-for-sale financial asset	81
Government grant	112
Deductible losses	3,659
Capitalized borrowing cost of general purpose loan	162
Total	4,691

(15) PROVISIONS FOR IMPAIRMENT

Items	Beginning balance	Provision for this year	Decrease: Written back	Decrease: Written off	Ending balance
Provision for diminution in value of inventories	2,004	677		2,639	**42**
Provision for impairment against fixed assets	156	6		34	**128**
Total	2,160	683		2,673	**170**

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(16) SHORT-TERM LOANS

(a) Analysis of short-term loans

Items	Ending balance	Beginning balance
Credit loan	**13,710**	7,570
Total	**13,710**	7,570

Note: The ending balance was increased by 81% due to increase of operation capital requirement.

(b) There was no over-due short-term loan at the end of this year.

(17) BILLS PAYABLE

Classification of bills	Ending balance	Beginning balance
Bank acceptance bills	**3,509**	4,585
Total	**3,509**	4,585

Note: The amount that would be due within the next accounting year was 3,509.

(18) ACCOUNTS PAYABLE

(a) Accounts payable classified according to natures

Items	Ending balance	Beginning balance
Accounts payable for purchasing	**2,918**	3,227
Construction cost	**300**	130
Operation expenses on supporting production	**49**	7
Freight	**28**	33
Others	**23**	30
Total	**3,318**	3,427

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(18) ACCOUNTS PAYABLE *(continued)*

(b) The total amounts of accounts payable due to shareholders with more than 5% (including 5%) of the voting shares of the Group and other related parties at the end of the year were 84 million, the related party transaction disclosed in Note 9 (6)

(c) There was no significant accounts payable aged over 1 year at the end of the year.

(19) ADVANCES FROM CUSTOMERS

(a) Advances from customers classified according to natures

Items	Ending balance	Beginning balance
Sales of products	**5,942**	3,629
Total	**5,942**	3,629

Note: The ending balance of advances from customers was increased by 63% comparing with the beginning balance was due to 1) The products sales increased lead to advances from customers was increased 2) Tianjin Tiantie was consolidated into the Group.

(b) The total amounts of Advances from customers due from shareholders with more than 5% (including 5%) of the voting shares of the Group and other related parties at the end of the year were 1,636 million, and the related party transaction was disclosed in Note 9 (6).

(c) There were no large-amount advances from customers aged over 1 year at the end of the year.

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(20) EMPLOYEE BENEFITS PAYABLE

Items	Beginning balance	Accrued during this year	Paid during this year	**Ending balance**
Salaries, bonus and allowance	235	1,378	1,377	**236**
Staff welfare		131	131	
Social insurance		462	462	
Therein: Pension insurance		276	276	
Medical insurance		137	137	
Staff and worker' injury insurance		21	21	
Unemployment insurance		28	28	
Housing fund		194	194	
Labor union fee and staff training fee	50	49	46	**53**
Termination benefits	44	133	140	**37**
Others		110	110	
Total	329	2,457	2,460	**326**

Note. Salaries, bonus, and allowance would be paid in January 2010. Termination benefits and labor union fee and staff training fee would be paid in 2010.

(21) TAX AND SURCHARGES PAYABLE

Items	**Ending balance**	Beginning balance
VAT	**(2,113)**	(1,836)
Enterprise income tax	**(203)**	(985)
Individual income tax	**9**	9
City maintenance and construction tax	**14**	15
Property tax	**7**	9
Education surcharges	**6**	6
Local education surcharges	**2**	2
Stamp tax	**5**	15
Land use tax	**1**	
Taxes to be deducted	**(24)**	(6)
Total	**(2,296)**	(2,771)

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(22) OTHER PAYABLES

(a) Analysis of other payables

Items	Ending balance	Beginning balance
Construction costs	**1,611**	1,686
Freight charges	**95**	78
Withholding tax payable	**17**	44
Land use fee		92
Deposit for steel shelves	**43**	60
Performance guarantee	**162**	94
Guarantee -project/spare parts	**1,055**	1,359
The Energy-saving and Emission-reducing funds transferred by Angang holding	**193**	
Others	**107**	110
Total	**3,283**	3,523

(b) The total amounts of other payables due to shareholders with more than 5% (including 5%) of the voting shares of the Group and other related parties in the end of the year were 970 million, the related party transaction disclosed in Note:9 (6).

(c) The large-amount other payables aged over 1 year

Creditor	Ending balance	Reason	Whether paid after the balance sheet date
MCC Coking And Refractory Engineering Consulting Co.	**113**	Project quality margin	No
Angang Construction Group	**76**	Project quality margin	No
MCC Northeast Construction Co.,Ltd	**75**	Project quality margin	No
Northeast Geotechnical Investigation Co.,Ltd	**38**	Project quality margin	No
Angang Automation Co.	**25**	Earnest money	No
Angang Heavy Machinary Co.,Ltd	**25**	Quality margin for machinery purchasing	No
Taiyaun Heavy Industry Co.,Ltd	**23**	Quality margin for spare part purchasing	No
Others	**480**		
Total	**855**		

(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(23) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR

(a) Long-term liability due within 1 year

Items	Ending balance	Beginning balance
Long-term loans due within 1 year	**7,653**	1,031
Total	**7,653**	1,031

Note: The reason of increase of long-term liability due within 1 year disclosed in note 7(25).

(b) The analysis of long-term loans due within 1 year was as follows:

(i) The analysis of long-term loans due within 1 year

Items	Ending balance	Beginning balance
Guaranteed loans	**315**	
Credit loans	**7,338**	1,031
Total	**7,653**	1,031

(ii) Top five long-term loans due within 1 year

Loaner	Commence date	Expiry date	Interest rate (%)	Ending balance	Beginning balance
Industrial and Commercial Bank of China Anshan Branch	Apr 2007	Apr 2010	5.91	**300**	300
Industrial and Commercial Bank of China Anshan Branch	Apr 2007	Apr 2010	5.91	**300**	300
Industrial and Commercial Bank of China Anshan Branch	May 2007	May2010	5.91	**300**	300
Industrial and Commercial Bank of China Anshan Branch	May 2007	May2010	5.91	**300**	300
Industrial and Commercial Bank of China Anshan Branch	May 2007	May2010	5.91	**300**	300
Total				**1,500**	1,500

(iii) There were no overdue loans in long-term loans due within 1 year.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(24) OTHER CURRENT LIABILITIES

Item	Content	Ending balance	Beginning balance
Deferred income	Wind power generation project, etc.	**42**	
Total		**42**	

(25) LONG-TERM LOANS

(a) Classification of Long-term loans

Items	Ending balance	Beginning balance
Credit loans	**11,502**	17,565
Total	**11,502**	17,565

Note: The ending balance of the long-term loans was decreased by 34% mainly due to part of the long-term loans that would due within 1 year.

(b) Top five long-term loans

Loaner	Commence date	Expiry date	Interest rate (%)	Ending balance	Beginning balance
China Construction Bank branch in Tianjin Nankai Park	Aug 2006	Jan 2014	5.94	**1,120**	
Industrial and Commercial Bank of China Anshan Branch	Jul 2008	Dec 2011	6.97	**700**	700
Industrial and Commercial Bank of China Anshan Branch	Jul 2008	Dec 2012	6.97	**700**	700
Industrial and Commercial Bank of China Anshan Branch	Jul 2008	Jul 2013	6.97	**700**	700
Bank of China Anshan Branch	Sep 2008	Sep 2011	6.56	**700**	700
Total				**3,920**	2,800

(Expressed in RMB million
unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(26) OTHER NON-CURRENT LIABILITIES

Item	Content	Ending balance	Beginning balance
Termination benefits	Employee benefits payable aged over 1 year	**65**	102
Deferred income	Grants for Military project	**32**	36
Deferred income	Grants for Metallurgical research and development	**3**	3
Deferred income	Central power project of No.1 power generation plant	**35**	
Deferred income	Electros lag melting project	**4**	
Total		**139**	141

Note: Deferred income are government grants corresponding to asset the group received this year.

(27) SHARE CAPITAL

Items	Beginning balance	Variation of the year: Issued new shares	Bonus shares	Shares transferred from accumulated fund	Others	Subtotal	Ending balance
(1) Ordinary A shares with restrictions on sale							
State-owned shares	4,341						**4,341**
(2) Shares with non-restriction on sale							
a. Ordinary A shares	1,808						**1,808**
b. Foreign shares listed overseas ("H shares")	1,086						**1,086**
Total	7,235						**7,235**

(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(28) CAPITAL RESERVE

Items	Beginning balance	Increase of the year	Decease of the year	**Ending balance**
Share premium	31,439			**31,439**
Other capital reserve	(16)	87		**71**
Total	31,423	87		**31,510**

Note: Reduction of other capital reserve was due to fair value change on available-for-sale financial assets disclosed in the Note. 7 (7).

(29) SPECIAL RESERVE

Items	**Ending balance**	Beginning balance
Safe production expenses	**50**	21
Total	**50**	21

Note: The increase of special reserve was safe production expenses accrued this year.

(30) SURPLUS RESERVE

Items	Beginning balance	Increase of the year	Decease of the year	**Ending balance**
Statutory surplus reserve	3,280	77		**3,357**
Total	3,280	77		**3,357**

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(31) UNDISTRIBUTED PROFIT

(a) Changes of undistributed profit

Items	Amounts	Appropriation or distribution proportion
Undistributed profit at the end of last year before adjustment	11,144	
Adjustment for undistributed profit at the beginning of year	5	
Undistributed profit at the end of last year after adjustment	11,149	
Add: Net profit attributable to owners of parent company during this year	727	
Recovery of losses from surplus reserve		
Other transferred-in		
Less: Appropriation of statutory surplus reserve	77	10%
Appropriation of discretionary surplus reserve		
Dividend to shareholder	1,519	
Dividend of ordinary shares transferred to share capital		
Undistributed profit at the end of year	10,280	

(b) The undistributed profit adjustment at the beginning of year:

The undistributed profit was increased by 5 million due to the significant changes of account policies disclosed in note 4(20).

(c) The analysis of profit distribution.

(i) The Annual General Meeting of shareholders of 2008 reviewed and approved of the profit distribution plan for 2008 on 12 June 2009, based on the total share capital 7,234,807,847 shares as at 31 Dec. 2008. The Company declared cash dividend of RMB 0.21 per share to the ordinary shareholders, and distributed 1,291 million to ordinary A shareholders and 228 million to H shareholders respectively.

(ii) The Board of Directors proposed on 14 April 2010 the distribution of a cash dividend of RMB 0.06 per share to The Company's ordinary shareholders, totaling RMB434 million. The proposal is subject to the approval by the general meeting of shareholders. Such cash dividend has not been recognized as a liability at the balance sheet date.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(32) OPERATING INCOME AND OPERATING COSTS

(a) Operating income and operating costs

Items	This year	Last year
Operating income from main operation	**70,057**	78,985
Other operating income	**69**	631
Total	**70,126**	79,616
Operating costs for main operation	**63,635**	65,939
Other operating costs	**77**	672
Total	**63,712**	66,611

(b) Main operation classified according to industry

	This year		Last year	
Name of industry	**Operating income from main operation**	**Operating costs for main operation**	Operating income from main operation	Operating costs for main operation
Ferrous metal smelting and steel rolling process	**70,057**	**63,635**	78,985	65,939
Total	**70,057**	**63,635**	78,985	65,939

(c) Main operation classified according to products

	This year		Last year	
Name of products	**Operating income from main operation**	**Operating costs for main operation**	Operating income from main operation	Operating costs for main operation
Hot rolled products	**25,316**	**23,326**	25,022	21,316
Cold rolled products	**24,159**	**21,306**	29,695	24,439
Medium -thick plate	**10,405**	**9,518**	12,244	8,740
Others	**10,177**	**9,485**	12,024	11,444
Total	**70,057**	**63,635**	78,985	65,939

(Expressed in RMB million
unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(32) OPERATING INCOME AND OPERATING COSTS *(continued)*

(d) Main operation classified according to regions

Regions	This year Operating income from main operation	This year Operating costs for main operation	Last year Operating income from main operation	Last year Operating costs for main operation
China	**66,617**	**60,560**	65,729	56,375
Overseas	**3,509**	**3,152**	13,887	10,236
Total	**70,126**	**63,712**	79,616	66,611

(e) Top five buyers

Name of buyers	Operating income	Proportion of total operating income (%)
Angang Trade	5,694	8
China Shipbuilding Equipment & Materials Northeast Co.	4,895	7
ANSC-TKS	1,720	3
China Railway Materials Shenyang Group	1,541	2
China Railway Material Group Northeast Co.,Ltd.	998	1
Total	14,848	21

(33) BUSINESS TAX AND SURCHARGES

Items	This year	Last year	Taxation basis and rate
City maintenance and construction tax	**110**	357	7% of VAT and Business tax payable
Education surcharge and local education surcharge	**63**	204	3% and 1% of VAT and Business tax payable
Custom duty	**6**	384	5%-10% of FOB
Resources tax and Business Tax	**4**	3	
Total	**183**	948	

Note: Business tax and surcharges were decreased by 81% comparing with last year due to decrease of VAT resulted to the reduction of city maintenance and construction tax and education and local education surcharges. Decrease of custom duty resulted from the reduction of export sales

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(34) INVESTMENT INCOME

(a) Statement on investment

Items	This year	Last year
Long-term equity investment income measured by employing cost method	**10**	15
Long-term equity investment income measured by employing equity method	**176**	80
Investment income from keeping available-for-sale financial assets		1
Total	**186**	96

Note: There were no severe restrictions in the transfer of investment income to the Group.

(b) Long-term equity investment income measured by employing cost method

Investee	This year	Last year	Reason of change
WISDRI	**10**	15	*Note*
Total	**10**	15	

Note: The investment income from WISDRI decreased was due to cash dividends received from WSDRI less than last year.

(c) Long-term equity investment income measured by employing equity method

Investee	This year	Last year	Reason of change
ANSC-TKS	**72**	49	
ANSC-Dachuan	**7**	1	
Changchun FAM	**5**	6	
TKAS-SSC	**4**	(9)	
Angang Shenyang	**1**		
TKAS	**6**	3	
Entity Packing	**(1)**	(1)	
Angang Finance	**82**	31	
Total	**176**	80	*Note*

Note: The investment income measured by employing equity method increased was due to the investees' net profit increased this year

(Expressed in RMB million
unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(35) IMPAIRMENT LOSSES

Items	This year	Last year
Provision for diminution in value of inventories	**677**	2,042
Provision for impairment of fixed assets	**6**	64
Total	**683**	2,106

Note: The impairment losses decreased by 68% were due to the provision for diminution in value of inventories accrued less than Last year.

(36) NON-OPERATING INCOME

(a) Particulars about non-operating income

Items	This year	Last year
Total gains from disposal of non-current assets	**36**	17
Including: Gains on fixed assets scrapped	**35**	17
Other gains on disposal of fixed assets	**1**	
Government grant	**15**	9
Payables that could not to be paid	**35**	
Penalties	**4**	7
Others	**3**	
Total	**93**	33

Note: The non-operating income increased by 182% comparing with last year mainly due to the payables needless to be paid written off and gains arising from fixed assets disposed of.

(b) Government grants

Items	This year	Last year
government supporting fund to Bayuquan	**7**	
Military project grants	**4**	9
Tiantie cold-rolled sheet project	**3**	
R & D subsidy	**1**	
Total	**15**	9

Note: The Group adopted income method to measure the government grants.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(37) NON-OPERATING EXPENSES

Items	This year	Last year
Total loss on disposal of non-current assets	**39**	63
Including: Loss on fixed assets scrapped	**38**	62
Other loss on disposal of fixed assets	**1**	1
Compensation		6
Total	**39**	69

Note: The non-operating expenses decreased 43% comparing with last year due to net losses on the disposal of fixed assets decreased this year.

(38) INCOME TAX EXPENSES

Items	This year	Last year
Income tax calculated according to the Law of Tax and relevant regulations	**1**	1,783
Adjustments on deferred income tax	**156**	(932)
Total	**157**	851

Note: The income tax expenses decreased by 82% due to the profit before income tax less than last year.

(39) BASIC EPS AND DILUTED EPS

	This year		Last year	
Profits of the reporting year	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	**0.100**	**0.100**	0.412	0.412
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	**0.095**	**0.095**	0.416	0.416

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(39) BASIC EPS AND DILUTED EPS *(continued)*

Note:

(a) Calculation of basic EPS

Basic EPS = P0÷S

S = S0+S1+Si×Mi÷M0-Sj×Mj÷M0-Sk

P0 refers to net profit attributable to ordinary shares and net profit (exclusive of non-operating profit) attributable to ordinary shares;

S refers to weighted average amount of ordinary shares issued;

S0 refers to the sum of shares at the beginning of the period;

S1 refers to the increases of shares due to transferred from capital reserve or share dividend;

Si refers to the increases of shares due to right issue or convertible bond;

Sj refers to the decreases of shares due to shares repurchase;

Sk refers to the decreases of shares due to stock reserve split-up in the reporting period;

M0 refers to the amount of months in the reporting period;

Mi refers to the amount of months from the next month of that increase of shares to the end of the period;

Mj refers to the amount of months from the next month of that decrease of shares to the end of the period.

(b) Calculation of diluted EPS

Diluted EPS = P1÷(S0+S1+Si×Mi÷M0-Sj×Mj÷M0-Sk+increase of weighted average amount of ordinary shares due to warrant, share option or convertible bond

P1 refers to net profit attributable to ordinary shares and net profit (exclusive of non-operation profit) attributable to ordinary shares, consider the effects of the dilution potential ordinary shares and modulate it according to "Enterprise Accounting Principle" and the relevant regulations.

When calculating the diluted earning per share, all effects of diluted potential ordinary shares on P1 and weighted average shares shall be taken into consideration. The dilution potential ordinary shares shall be included in diluted EPS according to the degree of dilution in descending order, until the diluted earning per share reach the minimum amount.

PUBLIC FILE

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(40) OTHER COMPREHENSIVE INCOME

Items	This year	Last year
Gain/loss from the available-for-sale financial assets	**116**	(226)
Minus: Income tax impact resulted from the available-for-sale financial assets	**29**	(56)
Total	**87**	(170)

(41) THE CASH FLOW STATEMENT

(a) Cash received relating to other operating activities

Items	Amount
The specific funds on energy-saving and emission-reducing transferred by Angang Holding	193
Others	99
Total	292

(b) Cash paid relating to other operating activities

Items	Amount
Freight fee payments for others	245
Agency fee for commissioned sales	75
Sewage fee	74
Computer maintenance expenses	71
Security and firefighting expenses	63
Afforestation fees	35
Pipeline transportation expenses	24
Agency fee	20
Others	182
Total	789

*For the year 2009
(Expressed in RMB million
unless otherwise indicated)*

Notes to the financial statements *(continued)*

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(41) THE CASH FLOW STATEMENT *(continued)*

(c) Cash received relating to other investing activities

Items	Amount
Cash from Tianjin Tiantie on consolidation date	1,184
Income from trail run	529
Others	17
Total	1,730

(d) Cash paid relating to other financing activities

Items	Amount
Payment to the banks of discount rate on bills payable	38
Total	38

(42) SUPPLEMENT TO CASH FLOW STATEMENT

(a) Reconciliation of net profit to cash flows from operating activities

Supplement	This year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	**686**	2,981
Add Provision for impairment	**(1,990)**	2,106
Depreciation of fixed assets	**6,262**	4,774
Amortization of intangible assets	**155**	145
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("-" for gains)		1
Loss on scrap of fixed assets	**3**	45
Loss on the change of fair value		
Financial expenses	**898**	690
Investment loss	**(186)**	(96)
Decrease in deferred tax assets ("-" for increase)	**162**	(925)
Increase in deferred tax liabilities ("-" for decrease)	**(6)**	(7)
Decrease in inventories ("-" for increase)	**1,444**	(3,904)
Decrease in operating receivables ("-" for increase)	**(1,710)**	3,828
Increase in operating payables ("-" for decrease)	**(1,222)**	2,287
Others	**53**	13
Net cash flow from operating activities	**4,549**	11,938

Notes to the financial statements *(continued)*

For the year 2009 (Expressed in RMB million unless otherwise indicated)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(42) SUPPLEMENT TO CASH FLOW STATEMENT *(continued)*

(a) Reconciliation of net profit to cash flows from operating activities *(continued)*

Supplement	This year	Last year
2. Change in cash and cash equivalents		
Cash at the end of the year	**2,242**	2,974
Less cash at the beginning of the year	**2,974**	7,733
Add cash equivalents at the end of the year		
Less. cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	**(732)**	(4,759)

(b) Information on subsidiaries' acquisition

Items	This year	Last year
1. The price of subsidiaries' acquisition	**1,407**	
2. Cash and cash equivalents paid for subsidiary acquisition	**432**	
Minus: Cash and cash equivalents held by subsidiary	**1,616**	
3. Net cash outflow for subsidiary acquisition	**(1,184)**	
4 Net assets of the acquired subsidiaries	**2,814**	
Of which: Current assets	**3,812**	
Non-current assets	**4,363**	
Current liabilities	**3,681**	
Non-current liabilities	**1,680**	

(c) Composition of cash and cash equivalents

Items	This year	Last year
1. Cash at banks and on hand	**2,242**	2,974
Of which: Cash	**1**	1
Bank deposits available	**1,542**	2,973
Other deposits available	**699**	
2 Cash equivalents		
Of which Bond due within 3 months		
3 Ending balance of cash and cash equivalents	**2,242**	2,974

Note: There were no restrictions on the cash and cash equivalents at the end of the year.

8. ACCOUNTING TREATMENT OF ASSET SECURITIZATION

The Group had no operation about asset securitization this year.

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS

(1) INFORMATION ON THE PARENT OF THE GROUP

Group name	Related relationship	Group Type	Registration place	Legal representatives	The nature of business
Angang Holding	Parent Company	State owned Company	Tie Xi District Liaoning Province Anshan	Xiaogang Zhang	Production and sale of steel and metal products, steel filament Tubes, and metal structures

Group name	Registered Capital	The Group's shareholding	Proportion of voting-right	Ultimate controlling party	Organization Code
Angang Holding	10,794	67.29	67.29	Angang Holding	24142001-4

(2) INFORMATION ON THE SUBSIDIARY OF THE GROUP

Disclosed in Note. 6.

(3) INFORMATION ON THE JOINTLY CONTROLLED ENTERPRISES AND ASSOCIATES OF THE GROUP

Disclosed in Note. 7.

94.

PUBLIC FILE

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(continued)*

(4) RELATED PARTIES WITHOUT CONTROL RELATIONSHIP

Name of enterprise	Relation with the Company	Organization code
ANSC-TKS	Jointly controlled enterprise	71093688-2
TKAS-SSC	Jointly controlled enterprise	785926056
Changchun FAM	Jointly controlled enterprise	76717649-0
ANSC-Dachuan	Jointly controlled enterprise	75990387-0
TKAS	Associate	767159789
Angang Finance	Associate	1188857-2
Binhai Industry	Subsidiary's associate	671473722
Angang Trade	Fellow subsidiary	24142372-5
Angang Construction Group	Fellow subsidiary	94129158-3
Angang Heavy machine Co., Ltd	Fellow subsidiary	24150326-6
Angang Fire-resistant material Co	Fellow subsidiary	94126547-3
Angang Steel rope Co., Ltd.	Fellow subsidiary	94126496-4
Angang Anshan Mining Co	Fellow subsidiary	24150404-X
Angang Entity Group	Fellow subsidiary	24142765-4
Angang House Property Co.	Fellow subsidiary	94126840-4
Angang Railway transport facilities Construction Co.	Fellow subsidiary	94121854-6
Angang real estate Co., Ltd	Fellow subsidiary	11886337-0
Angang mechanization loading Co.	Fellow subsidiary	94126489-2
Angang mine construction	Fellow subsidiary	664557266
Angang Design and Research	Fellow subsidiary	79159132-8
Angang Electric Co., Ltd	Fellow subsidiary	94126485-X
Angang Automation Co.	Fellow subsidiary	94126643-3
Angang Auto Transport Co., Ltd	Fellow subsidiary	94126444-6
Angang Reception Service Co.	Fellow subsidiary	94121967-X

(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(continued)*

(5) RELATED PARTY TRANSACTIONS

(a) Purchase/Sales, Receive/Render services from/to Angang Holding and its subsidiaries

Items	Contents	Pricing Policy	This Year Amount	This Year Percent of related transactions	Last Year Amount	Last Year Percent of related transactions (%)
Purchase of Goods	Raw materials	*Note 1*	14,086	63	18,098	74
	Ancillary materials and spare parts	*Note 2*	1,460	13	2,127	17
	Energy and power supplies	*Note 3*	1,927	36	1,642	37
	Total		17,473		21,867	
Services Received	Support services	*Note 4*	6,034	53	9,333	57
	Total		6,034		9,333	
Sales of Goods	Products		6,096	9	4,683	6
	Scrap materials and Minus sieve powder	*Note 5*	123	95	417	91
	Total		6,219		5,100	
Services Rendered	General services	*Note 6*	512	39	623	47
	Total		512		623	

Notes:

1. The purchase price, ascertained and modified on a semi-annual basis, is mainly not higher than the average prices quoted to the Group for importing principal raw materials of similar quality plus freight charges in the previous interim year and adjustment for grade, an extra 5% discount on the importing average prices; Or the average prices charged by independent suppliers plus 10% mark up of processing costs (if applicable);

2. The selling prices are not higher than the average prices charged to independent customers for the preceding month

3. Mainly at state prices.

4. At state prices, market prices, not higher than 1.5% of the commissions, depreciation fees and maintenance costs, labour, materials and management fees, and processing costs plus no more than 5% of the gross margin.

Notes to the financial statements *(continued)*

For the year 2009 (Expressed in RMB million unless otherwise indicated)

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(continued)*

(5) RELATED PARTY TRANSACTIONS *(continued)*

(a) Purchase/Sales, Receive/Render services from/to Angang Holding and its subsidiaries *(continued)*

Notes: (continued)

5. The steel products and scrap materials are mainly at selling prices based on the average prices charged to independent customers for the preceding month or market prices. The basis of the price of the steel products offered to Angang Holding for development of new products is, if there is market price, at the market price, if there is no market price, at the cost plus a reasonable profit.

   The minus sieve powder is at prices for sintered iron ore less the cost of sintering procedures performed by Angang Holding.

6. At the state prices, operating costs plus 5% of gross profit margin, or market prices.

(b) Leases

Lessee	Leasing assets	Amount of leasing assets	Lease starting date	Lease expiring date	Rental income	Rental income ascertained basis	The impact on The Group's rental income
Angang Trade	Building and machinery	43	Jan 2008	Dec 2009	1	Lease agreement	1

(c) Guarantee of loans

Warrantor	Warrantee	Amount Guaranteed	Starting date	Expiring date	Whether fulfilled
Angang Holding	The Company	1,000	Aug 2008	Sep 2011	No
Tiantie Group	Tianjin Tiantie	3,505	Aug 2006	Jan 2014	No

(Expressed in RMB million
unless otherwise indicated)

Notes to the financial statements *(continued)*

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(continued)*

(5) RELATED PARTY TRANSACTIONS *(continued)*

(d) Assets transferred

			This year		Last year	
Type	Content	Pricing policy	Amount	Percent of related transactions (%)	Amount	Percent of related transactions (%)
Purchase	Fixed assets, intangible assets, construction in progress	Market price	87	100	1,289	95
	Total		87		1,289	
Sale	Fixed assets, intangible assets	Market price	3	100	4	100
	Total		3		4	

(e) Other related parties transactions

(i) Received agency service from Angang Trade:

The Group received agency services for domestic sales and export of products amount to 7.30 million tons and 0.91million tons respectively for the year 2009 (4.58 million tons and 2.38 million tons for the year 2008)

(ii) Sales of products from The Group to the jointly controlled enterprises and the associates:

A. Sales of products

Name of enterprise	Sales in this year	Sales in Last year
ANSC-TKS	1,720	2,061
Tianjin Tiantie	1,136	
TKAS-SSC	297	9
Changchun FAM	73	114
Binhai Industry	14	
TKAS	3	2

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(continued)*

(5) RELATED PARTY TRANSACTIONS *(continued)*

(e) Other related parties transactions *(continued)*

(ii) Sales of products from The Group to the jointly controlled enterprises and the associates: *(continued)*

B. Received agency service from TKAS-SSC

The Group received agency services for domestic sales of products from TKAS-SSC amount to RMB 1 million tons for the year 2009 (2008: nil).

C. The Group received supporting services from Binhai Industry amount to 25 million for the year 2009.

(iii) Loan/deposit, interest paid in/to Angang Finance

Items	Annual interest rate	Beginning balance	Increased	Decreased	Ending balance	Terms of credit
Loan	4.374%-6.966%	3,100	11,000	4,500	9,600	Credit
Deposit		2,878	168,798	170,388	1,288	

The Group's interest income of deposit from Angang finance was RMB 8 million (for the year 2008: RMB 21 million) and the interests for borrowing and bills discounted was RMB 331 million (for the year 2008: RMB 120 million).

(f) Directors' and supervisors' remunerations

The directors' and supervisors' remuneration amounted to RMB 3 million for the year 2009 (for the year 2008:RMB 5 million).

89

PUBLIC FILE

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(continued)*

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES

Items	Name of related parties	Ending balance	Beginning balance
Accounts receivable	Angang Trade	**896**	643
	TKAS-SSC	**98**	
	Angang Heavy machine Co., Ltd	**16**	
	Angang House Property Co.	**5**	19
	Angang Electric Co., Ltd	**3**	2
	Angang Holding	**2**	97
	Angang Fire-resistant material Co., Ltd.		40
	Angang Steel rope Co., Ltd.		14
	Other related parties	**1**	3
	Total	**1,021**	818
Prepayment	Angang Trade	**4,551**	1,692
	Angang Automatism Co	**35**	41
	Angang Design and Research	**28**	10
	Angang Heavy machine Co., Ltd	**10**	29
	Angang Construction Group	**2**	71
	Binhai Industry	**1**	
	Angang Electric Co., Ltd		3
	Angang Entity Group		7
	Other related parties		2
	Total	**4,627**	1,855
Accounts payable	Angang Entity Group	**22**	23
	Angang Auto Transport Co., Ltd	**12**	12
	Angang Construction Group	**12**	8
	Angang Trade	**11**	110
	Binhai Industry	**9**	
	Angang House Property Co.	**4**	3
	Angang mine Construction Co.	**4**	
	Angang Steel rope Co., Ltd.	**3**	2
	Angang Holding	**3**	5
	Angang Automatism Co	**2**	4
	Angang Electric Co., Ltd	**1**	1
	Angang Heavy machine Co., Ltd	**1**	1
	Angang Fire-resistant material C		36
	Other related parties		2
	Total	**84**	207

Notes to the financial statements *(continued)*

For the year 2009 (Expressed in RMB million unless otherwise indicated)

9. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS *(continued)*

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES *(continued)*

Items	Name of related parties	Ending balance	Beginning balance
Advance from customers	Angang Trade	**1,238**	902
	ANSC-TKS	**366**	11
	Angang Construction Group	**8**	8
	Angang Anshan Mining Co.	**7**	3
	Angang Entity Group	**7**	9
	Changchun FAM	**6**	14
	TKAS	**2**	
	Angang Steel rope Co., Ltd.	**2**	
	Tianjin tiantie		42
	Angang Heavy machine Co., Ltd		21
	Angang Holding		1
	Total	**1,636**	1,011
Other payables	Angang Construction Group	**322**	317
	Angang Trade	**263**	335
	Angang Holding	**199**	5
	Angang Heavy machine Co., Ltd	**47**	91
	Angang Entity Group	**33**	45
	Angang Automatism Co	**32**	65
	Angang mine Construction Co.	**21**	32
	Angang Design and Research	**21**	16
	Angang Electric Co., Ltd	**17**	20
	Angang House Property Co	**9**	12
	Angang Auto Transport Co., Ltd	**4**	5
	Angang Railway transport facilities Construction Co.	**1**	2
	TKAS-SSC	**1**	
	Angang Anshan Mining Co.		1
	Total	**970**	946

10. SHARE-BASED PAYMENT

As at 31 December 2009, the Group had no share-based payment.

11. CONTINGENCIES

As at 31 December 2009, there were no contingencies that need to be disclosed.

(Expressed in RMB million
unless otherwise indicated)

12. CAPITAL COMMITMENT

(1) SIGNIFICANT CAPITAL COMMITMENT

	This year	Last year
Investment contracts entered into but not performed or performed partially	**318**	915
Construction and renovation contracts entered into but not performed or performed partially	**2,764**	4,867
Total	**3,082**	5,782

Notes: The proposal of establishment of a subsidiary by The Company and Angang Trade was approved of by the fifth meeting of the fifth board of directors on the 28th August 2009, the Company will invest RMB 318 million with 51% of holding equity.

(2) PERFORMANCE OF THE CAPITAL COMMITMENT OF LAST YEAR

(a) The capital commitment of 2008 had been performed in the year 2009: According to the 3rd meeting of the board of directors on 12 June 2009 and the Amendments of the Articles of Tianjin Tiantie, The Company increased investment of RMB432 million with shareholding up to 50% after Tiantie Group's registration capital reduced

(b) The construction and renovation contracts signed in 2008 but not performed or performed partially had been performed with 2,347 million in the year 2009.

13. EVENTS AFTER THE BALANCE SHEET DATE

(1) SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The proposal of establishment of a wholly-owned company, Angang cold-rolled steel plate (Putian) Co., Ltd., in Putian Fujian Province, had been approved of by the 9th meeting of 5th board of directors on 29 January 2010. The Company will invest RMB 3,798 million to the establishment with self-financing and bank loans.

(2) DISTRIBUTION OF THE PROFIT AFTER BALANCE SHEET DATE

Disclosed in note 7 (31) (c).

14. OTHER SIGINIFICANT TRANSACTION

(1) The proposal on public offering company debenture which total amount not exceeding 10 billion had been approved of by 1st general meeting of shareholder on 6 Feb 2009, and the total amount financed of which is expected not less than 5 billion and not more than 10.0 billion, and the duration of which will be 5 years of 10 years. The company debenture issuing is well on the way.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

14. OTHER SIGINIFICANT TRANSACTION *(continued)*

(2) The following proposals had been approved of by the 2nd extraordinary general meeting, the first class meeting of domestic shareholders and the first class meeting of H shareholders on 18 Sep 2009.

(i) The proposal of issuance of H shares, the company proposed to issue 217,160,000 H shares through main board of The Stock Exchange of Hong Kong Limited, which account for 20% of current outstanding H shares. The issuance work is well on the way.

(ii) The proposal of issuance of short-term financial bills to inter-bank bond market, the company proposed to issue short-term financial bills with an aggregate principal not exceeding RMB 6 billion and consisting of two tranches. Each tranche of short-term financial bills amount to RMB3 billion and the period of issuance of which is not more than 365 days. The first tranche have been received by Jan 2010.

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT

(1) ACCOUNTS RECEIVABLE

Disclosed in note:7(3)

(2) OTHER RECEIVABLES

	Ending balance			
	Book balance		Bad debt provision	
Type	Amount	Percentage (%)	Amount	Percentage (%)
Individual other receivables with Significant amount				
Other insignificant receivables	12	100		
Total	12	100		

	Beginning balance			
	Book balance		Bad debt provision	
Type	Amount	Percentage (%)	Amount	Percentage (%)
Individual other receivables with Significant amount	60	77		
Other insignificant receivables	18	23		
Total	78	100		

Note: The ending balance of other receivables was decreased by 76% comparing with the beginning balance, the reason disclosed in note 7(4).

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(continued)*

(3) LONG-TERM EQUITY INVESTMENT

Name of investee	Accounting method	Initial investment cost	Beginning balance	Variation of the year	Ending balance
Angang Wuhan	Cost method	60	60		**60**
Tianjin Tiantie	Cost method	1,407	975	432	**1,407**
ANSC-TKS	Equity method	533	587	65	**652**
ANSC-Dachuan	Equity method	190	191	7	**198**
Changchun FAM	Equity method	45	54	(1)	**53**
TKAS-SSC	Equity method	48	32	(1)	**31**
Angang Shenyang	Equity method	14	17	(4)	**13**
TKAS	Equity method	37	40	3	**43**
Entity Packing	Equity method	11	10	(1)	**9**
Angang Finance	Equity method	315	346	52	**398**
WISDRI	Cost method	10	10		**10**
Longmay Group	Cost method	220		220	**220**
Total			2,322	772	**3,094**

Investee	Proportion of Shareholding (%)	Proportion of voting-rights (%)	Note for difference between proportions of voting-rights and shareholding	Provision for impairment	Provision for impairment accrued this year	Cash dividends
Angang Wuhan	100	100				
Tianjin Tiantie	50	50				
ANSC-TKS	50	50				
ANSC-Dachuan	50	50				
Changchun FAM	50	50				4
TKAS-SSC	50	50				
Angang Shenyang	30	30				
TKAS	45	45				3
Entity Packing	30	30				
Angang Finance	20	20				30
WISDRI	7	7				10
Longmay Group	1	1				
Total						47

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(continued)*

(4) OPERATING INCOME AND OPERATING COSTS

(a) Operating income and operating cost

Items	This year	Last year
Operating income from main operation	**69,428**	78,985
Other operating income	**41**	631
Total	**69,469**	79,616
Operating costs for main operation	**62,938**	65,939
Other operating costs	**50**	672
Total	**62,988**	66,611

(b) Main operation classified according to industry

	This year		Last year	
Industry nature	Operating income from main operation	Operating costs for main operation	Operating income from main operation	Operating costs for main operation
Ferrous metal smelting and steel rolling process	**69,428**	**62,938**	78,985	65,939
Total	**69,428**	**62,938**	78,985	65,939

(c) Main operation classified according to product

	This year		Last year	
Product types	Operating income from main operation	Operating costs for main operation	Operating income from main operation	Operating costs for main operation
Hot-rolled products	**25,778**	**23,783**	25,022	21,316
Cold-rolled products	**23,068**	**20,152**	29,695	24,439
Medium-thick plates	**10,405**	**9,518**	12,244	8,740
Others	**10,177**	**9,485**	12,024	11,444
Total	**69,428**	**62,938**	78,985	65,939

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(continued)*

(4) OPERATING INCOME AND OPERATING COSTS *(continued)*

(d) Main operation classified according to regions

	This year		Last year	
Regions	**Operating income**	**Operating costs**	Operating income	Operating costs
China	**65,960**	**59,836**	65,729	56,375
Abroad	**3,509**	**3,152**	13,887	10,236
Total	**69,469**	**62,988**	79,616	66,611

(e) Top five customers

Customers	**Operating income**	**Proportion of total operating income** *(%)*
Angang Trade	5,511	8
China Shipbuilding Equipment & Materials Northeast Corporation	4,895	7
ANSC-TKS	1,720	3
Tianjin Tiantie	1,598	2
China Railway Materials Shenyang Group	1,541	2
Total	15,265	22

(5) INVESTMENT INCOME

Disclosed in note: 7(34)

82

PUBLIC FILE

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT *(continued)*

(6) SUPPLEMENT TO CASH FLOW STATEMENT

Supplement	This year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	**772**	2,981
Add: Provision for impairment	**(1,990)**	2,106
Depreciation of fixed assets	**6,213**	4,774
Amortization of intangible assets	**153**	145
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets("-" for gains)		1
Loss on scrap of fixed assets	**3**	45
Loss on the change of fair value		
Financial expenses	**880**	690
Investment loss	**(186)**	(96)
Decrease in deferred tax assets ("-" for increase)	**189**	(925)
Increase in deferred tax liabilities ("-" for decrease)	**(6)**	(7)
Decrease in inventories ("-" for increase)	**1,371**	(3,904)
Decrease in operating receivables ("-" for increase)	**(1,917)**	3,828
Increase in operating payables ("-" for decrease)	**(1,003)**	2,287
Others	**53**	13
Net cash inflow from operating activities	**4,532**	11,938
2. Change in cash and cash equivalents		
Cash at the end of the year	**1,138**	2,914
Less: Cash at the beginning of the year	**2,914**	7,733
Add: Cash equivalents at the end of the year		
Less: Cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	**(1,776)**	(4,819)

For the year 2009
(Expressed in RMB million
unless otherwise indicated)

Notes to the financial statements *(continued)*

16. SUPPLEMENTARY DOCUMENTS

(1) EXTRAORDINARY GAINS AND LOSSES

Items	Amounts	*Note*
Gains/losses from disposal of non-current assets		
Tax refund or exemption from unauthorized approval or non-official approved document or contingency		
Government grant which recorded into profit/loss of current year except that relevant to enterprise operation and in compliance with government policies	15	
Capital occupation income from non-financial enterprise credited to current income statement		
Gains from the excess of the enterprise share of the net fair value of identifiable net assets over the cost of acquisition of the subsidiary, jointly controlled entity and associate		
Gains/losses from the exchange of non-monetary assets		
Gains/losses from trusted investment or assets of management		
Losses on provision for impairment of assets due to force majeure i.e. natural disaster		
Debt restructuring gains/losses		
Restructuring expense, i.e. employee placement, integration costs etc		
Gains/losses from the excess over fair value of an unfair transaction		
Current net profit/loss of subsidiary under the common control from the beginning of the year of consolidation to the consolidation date		
Gains/Losses from contingencies irrelevant to the normal operations		
Investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets and gains/losses from variation of fair value of trading financial assets, trading financial liabilities and available-for-sale financial assets except the hedging relevant to the principal business		
Written back of the provision for impairment of accounts receivable under the independent test		
Gains/losses from trusted loan		
Gains/loss from variation of fair value of investment property		
Effects of one-off adjustment on current profit/loss in accordance with taxation and accounting regulations		
Hosting income from entrusted operations		
Other non-operating income and expense Except above	39	
Other extraordinary gains/ losses		
subtotal	54	
Effect on taxation	14	
Effect on minority interest (after tax)	1	
Total	39	

Note: "+" refer to gains or incomes, "-" refer to losses or expenditures

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

16. SUPPLEMENTARY DOCUMENTS *(continued)*

(2) THE DIFFERENCE BETWEEN IFRS AND PRC GAAP

		The group				Attributable to ordinary shareholders			
		Net profit		Net assets		Net profit		Net assets	
	Note	This year	Last year	Ending balance	Beginning balance	This year	Last year	Ending balance	Beginning balance
Under PRC GAAPs		686	2,981	53,798	53,108	727	2,981	52,432	53,108
Adjustment:									
— Revaluation of land use right	1	5	5	(171)	(176)	5	5	(171)	(176)
— Safety production expenses	2	29	10			29	10		
— Deferred income tax assets	3	(9)	(3)	30	39	(9)	(3)	30	39
Under IFRSs		711	2,993	53,657	52,971	752	2,993	52,291	52,971

Note:

1) Under the outdated PRC GAAPs, land use rights are carried at revalued amount. But under IFRSs, land use rights are carried at historical cost, accordingly, the surplus, the revaluation of land use rights minus deferred income tax assets and accumulated amortized amounts, was deducted from shareholder's equity, and the amortization of the surplus was added back to the net profit in the financial statements prepared under IFRSs.

2) Pursuant to the interpretation to the enterprise accounting standard (CAI QI [2006] No. 478), safe production provision should be accrued based on the production amount or operating income by the Group related to the industry of mining, construction, production of dangerous goods and road transport, but the provision could be recorded to profit and loss only when they are actual paid under IFRSs.

3) Based on above-mentioned adjustments, deferred assets and income tax expense had been recognized by liability method in light of IFRSs.

(3) ROE AND EPS

Profit in this year	Year	Weighted average ROE	EPS (Yuan per share) Basic EPS	Diluted EPS
Net profit attributable to ordinary shares	2009	1.38%	0.100	0.100
	2008	5.55%	0.412	0.412
Net profit (exclusive of non-operating profit) attributable to ordinary shares	2009	1.30%	0.095	0.095
	2008	5.60%	0.416	0.416

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

16. SUPPLEMENTARY DOCUMENTS *(continued)*

(3) ROE AND EPS *(continued)*

Note: (i) Weighted average ROE $=P_0/(E_0+NP\div 2+E_i\times M_i\div M_0-E_j\times M_j\div M_0\pm E_k\times M_k\div M_0)$

P_0 refers to the net profit attributable to ordinary shares and net profit (exclusive of non-operating profit) attributable to ordinary shares

NP refers to the net profit attributable to ordinary shares

E_0 refers to the net assets attributable to ordinary shares

E_i refers to the additional of net assets attributable to ordinary shares resulted from issuing the new shares or converting from convertible debentures in report period

E_j refers to the reduction of net assets attributable to ordinary shares resulted from share repurchase or cash dividend in report period

M_0 refers to the months of reporting period.

M_i refers to the duration from the second month since the additional of share capital occurred to the end of reporting period

M_j refers to the duration from the second month since the share capital withdrawn occurred to the end of reporting period

E_k refers to the change of net assets resulted from other transaction and matters

M_k refers to the duration from the second month since the variation of net assets resulted form other transaction and matters occurred to the end of reporting period

(ii) Basic EPS and Diluted EPS disclosed in note 7(39)

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS

There are following risks pursuant to the financial instrument adopted by the Group

— Credit risk;

— Liquidity risk,

— Interest rate risk;

— Foreign currency risk

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks, etc.

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

16. SUPPLEMENTARY DOCUMENTS *(continued)*

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS *(continued)*

The Group's risk management policies are established to identify and analyze the risks confronted by the Group, to set appropriate risk limits and control program, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(a) Credit risk

The Group's credit risk is primarily attributable to receivables. Exposure to these credit risks are monitored by management on an ongoing basis

In respect of receivables, the Group has established a credit policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires most of the customer prepay full amount either in cash or by issuing bills before delivering goods to them. Receivables are due within 1 to 4 months from the date of billing. Debtors with balances that are more than one months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers

Most of the Group's customers have been transacting with the Group for many years, and losses have occurred infrequently In monitoring customer credit risk, customers are grouped according to some factors, such as ageing and maturity date.

As at 31 December 2009, there were no significant debtors that were past due and impaired.

At the balance sheet date, the Group had a certain concentration of credit risk, as 93.63% (2008:80.64%) of the total accounts receivable and other receivables was due from the Group's top five buyers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any other guarantees resulted in credit risk.

(b) Liquidity risk

The Group is responsible for their own cash management, including short term investment for temporary cash redundancy and the raising of loans to satisfy expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

16. SUPPLEMENTARY DOCUMENTS *(continued)*

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

The interest-bearing financial instruments held by the Group at 31 December 2009 are set out at Note 7(1), (16), (22) and (23).

Sensitivity analysis.

In managing interest rate and foreign currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on earnings.

As at 31 December 2009, it is estimated that a general increase of one percentage point in interest rates of cash at bank and on hand, short-term loans, non-current liabilities due within 1 year, long-term borrowings and long-term payables, with all other variables held constant, would decrease the Group's net profit and equity by RMB 126 million (2008 RMB 51 million).

The above sensitivity analysis has been ascertained assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the Group's exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next annual balance sheet date. The analysis was performed on the same basis for 2008.

(d) Foreign currency risk

The Group did not have a significant foreign currency risk exposure arising from its exports products and importing raw material for production and equipment for projects as the Group adopts locked exchanges rates to settle the amounts with main export and import agent.

(i) The Group's exposure to currency risk based on nominal amounts at 31 December 2009 is set out at Note 7(23) and (25).

(ii) The following are the significant exchange rates applied by the Group:

	Average rate		Reporting date mid-spot rate	
	2009	2008	**2009**	2008
Japanese yen	**0.0731**	0.0674	**0.0738**	0.0757
Euro	**9.53**	10.24	**9.78**	9.66

Notes to the financial statements *(continued)*

For the year 2009
(Expressed in RMB million unless otherwise indicated)

16. SUPPLEMENTARY DOCUMENTS *(continued)*

(4) RISK ANALYSIS AND SENSITIVITY ANALYSIS FOR FINANCIAL INSTRUMENTS *(continued)*

(d) Foreign currency risk *(continued)*

(iii) Sensitivity analysis

A 5% appreciation of the RMB against the Japanese yen, Euro and HK dollar at 31 Dec 2009 would have decreased /increased equity and profit or loss by the amount shown below:

		Shareholder's equities *(RMB Million)*	Profit and losses *(RMB Million)*
31 Dec 2009	Japanese yen	(10)	(10)
	Euro	(1)	(1)
31 Dec 2008	Japanese yen	(16)	(16)
	Euro	(1)	(1)

A 5% depreciation of the RMB against the Japanese yen, Euro at 31 Dec 2009 would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remain constant.

The above sensitivity analysis has been ascertained assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date. The stated changes represent management's assessment of a reasonably possible change in foreign exchange rates over the year until the next annual balance sheet date. The analysis was performed on the same basis for 2008.

(5) ANALYSIS OF THE UNUSUAL SITUATION ABOUT MAIN ITEMS OF THE FINANCIAL STATEMENTS

(a) Items on profit and loss statement

(i) The selling expenses this year was RMB 1,081, which decreased by 36% comparing with last year, was mainly because of the reduction of export products, the relevant export expenses decreased correspondingly

(ii) The financing expenses this year was RMB 902, which increased by 30% comparing with last year, was mainly because of the decrease of capitalization interest arising from the decrease of the project accumulated expenditure and the raise of borrowing this year.

For the year 2009
(Expressed in RMB million unless otherwise indicated)

Notes to the financial statements *(continued)*

16. SUPPLEMENTARY DOCUMENTS *(continued)*

(5) ANALYSIS OF THE UNUSUAL SITUATION ABOUT MAIN ITEMS OF THE FINANCIAL STATEMENTS *(continued)*

(b) Items on cash flow statement

(i) The net cash inflow from operating activities this year was RMB 4,549, which decreased by 62% comparing with last year, was mainly because of the increasing of operating receivables and the decreasing of operating payables.

(ii) The net cash outflow from investing activities this year was RMB 5,213, which decreased by 66% comparing with last year, mainly because the expenditure for fixed assets and construction in progress reduced.

(iii) The net cash outflow from financing activities this year was RMB 68, which decreased by 94% comparing with last year, was mainly because of the increasing of cash from borrowings.

74

PUBLIC FILE

Independent auditor's report

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
ANGANG STEEL COMPANY LIMITED
(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Angang Steel Company Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 202 to 267, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent auditor's report *(continued)*

AUDITOR'S RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
19 April 2010

Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	**2009** **RMB million**	2008 RMB million
Turnover	5	**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	6	**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	8(a)	**(940)**	(777)
Share of profits less losses of jointly controlled entities	17	**88**	47
Share of profits less losses of associates	18	**88**	33
Profit before tax		**877**	3,847
Income tax expense	7(a)	**(166)**	(854)
Profit for the year	8(b)	**711**	2,993
Attributable to:			
Owners of the Company		**752**	2,993
Minority interests		**(41)**	—
		711	2,993
Earnings per share	11		
— Basic		**RMB0.104**	RMB0.414

FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated statement of comprehensive income

	2009 RMB million	2008 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

PUBLIC FILE

Consolidated statement of financial position

AT 31 DECEMBER 2009

	Note	2009 RMB million	2008 RMB million
Non-current assets			
Property, plant and equipment	12	**53,807**	43,256
Intangible assets	13	**13**	18
Construction in progress	14	**12,922**	18,789
Lease prepayments	15	**6,875**	6,563
Interests in jointly controlled entities	17	**934**	864
Interests in associates	18	**465**	1,388
Other investments	19	**391**	55
Deferred tax assets	7(b)	**1,081**	1,093
		76,488	72,026
Current assets			
Inventories	20	**10,658**	10,372
Amount due from ultimate parent	33	**2**	97
Amounts due from fellow subsidiaries	33	**5,547**	2,576
Amount due from a jointly controlled entity	33	**98**	—
Amount due from an associate	33	**1**	—
Trade receivables	21	**4,145**	3,000
Prepayments, deposits and other receivables		**3,742**	2,796
Current tax assets		**203**	985
Cash and cash equivalents	22	**2,242**	2,974
		26,638	22,800
Current liabilities			
Trade payables	23	**6,744**	7,805
Amount due to ultimate parent	33	**202**	11
Amounts due to fellow subsidiaries	33	**2,104**	2,087
Amounts due to jointly controlled entities	33	**373**	25
Amounts due to associates	33	**11**	42
Deferred income		**42**	—
Other payables		**6,989**	5,578
Current portion of bank loans	24	**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

AT 31 DECEMBER 2009

Consolidated statement of financial position *(continued)*

	Note	2009 RMB million	2008 RMB million
Total assets less current liabilities brought forward		**65,298**	70,677
Non-current liabilities			
Bank loans	24	**11,502**	17,565
Provisions	25	**65**	102
Deferred income		**74**	39
		11,641	17,706
NET ASSETS		**53,657**	52,971
CAPITAL AND RESERVES			
Share capital	26	**7,235**	7,235
Share premium	27	**31,414**	31,414
Reserves	28	**3,300**	3,107
Retained profits	29	**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

Approved and authorised for issue by the Board of Directors on 19 April 2010

Zhang Xiaogang
Chairman

Fu Jihui
Director

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2009

		Attributable to owners of the Company						
	Note	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained profits RMB million	Total RMB million	Minority interests RMB million	Total equity 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	28, 29	—	—	309	(309)	—	—	—
Final dividend — 2007	10(b)	—	—	—	(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	28, 29	—	—	106	(106)	—	—	—
Final dividend — 2008	10(b)	—	—	—	(1,519)	(1,519)	-	(1,519)
At 31 December 2009		7,235	31,414	3,300	10,342	52,291	1,366	53,657

FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated statement of cash flows

	Note	2009 RMB million	2008 RMB million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31(a)	**3,779**	15,217
Interest received	6	**16**	37
Interest paid		**(1,605)**	(1,553)
Income tax refund/(paid)		**781**	(2,870)
Net cash generated from operating activities		**2,971**	10,831
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(6,341)**	(14,684)
Proceeds from disposals of property, plant and equipment		**23**	5
Acquisition of a subsidiary	31(b)	**1,184**	—
Capital contribution to associates/jointly controlled entities		**—**	(1,301)
Dividends income from associates and jointly controlled entities		**37**	1
Payment for purchase of other investments		**(143)**	—
Net cash used in investing activities		**(5,240)**	(15,979)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(1,519)**	(3,977)
Payment of transaction costs relating to rights issue		**—**	(59)
Proceeds of bank loans		**20,140**	16,220
Repayment of bank loans		**(17,084)**	(9,471)
Repayment of long-term payable to ultimate parent		**—**	(2,324)
Net cash generated from financing activities		**1,537**	389
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(732)**	(4,759)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**2,974**	7,733
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**2,242**	2,974

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2009

1. GENERAL INFORMATION

Angang Steel Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 8 May 1997 as a joint stock limited liability company. The address of its registered office is Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC. The Company's A-shares and H-shares are listed on the Shenzhen Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") respectively.

The Company is principally engaged in the production and sales of hot rolled sheets, cold rolled sheets, galvanised steel, seamless tubes, wire rods, thick plates, large section steel products and steel billets. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2009, Anshan Iron and Steel Group Complex ("Angang Holding"), a state-owned enterprise incorporated in the PRC is the ultimate parent.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("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.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(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 4 to the financial statements.

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. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRSs, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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.

The Group also prepares a set of financial statements which complies with the Accounting Standards for Business Enterprises in the PRC (the "PRC GAAP"). A reconciliation of the Group's profit for the year and the equity attributable to owners of the Company under IFRSs and the PRC GAAP is presented on page 268.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 37 to the financial statements.

Notes to the financial statements *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Company has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company has control.

Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Minority interests represent the portion of interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between minority and owners of the Company (majority interests). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

(b) Business combination and goodwill

The purchase method is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination and goodwill *(continued)*

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated profit or loss.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (w) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates *(continued)*

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in a jointly controlled entity is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Joint venture *(continued)*

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currency translation *(continued)*

(ii) Transactions and balances in each entity's financial statements *(continued)*

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates), and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an acquired asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	10 to 20 years
Plant, machinery and equipment	3 to 15 years
Transportation vehicles and other related equipment	2 to 12 years

When parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in profit or loss on the date of retirement or disposal.

(g) Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially completed and ready for its intended use.

Depreciation begins when the relevant assets are available for use.

(h) Lease prepayments

Lease prepayments represent land use rights paid to the PRC land bureau. Land use rights are carried at cost less accumulated amortisation and impairment losses. Land use rights are amortised on a straight line basis over the respective periods of the rights.

Notes to the financial statements *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research costs and development costs are therefore recognised in profit or loss in the period in which they are incurred.

(j) Intangible assets

Intangible assets represent industrial technology acquired by the Group and are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is calculated on a straight-line basis over the assets' estimated useful lives of 6 to 10 years.

Both the period and method of amortisation are reviewed annually

(k) Inventories

Inventories, other than spare parts and tools, are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average cost formula or the specific identification method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Inventories *(continued)*

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Spare parts and tools are stated at cost less any allowance for obsolescence.

(l) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(m) Other investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Other investments *(continued)*

Investments are classified as either financial assets at fair value through profit or loss, available-for-sale financial assets or unlisted equity securities.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) Unlisted equity securities

Investments in unlisted equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequent measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(o) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the financial statements *(continued)*

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Financial liabilities and equity instruments *(continued)*

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Sale of goods

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) Service income

Service income is recognised when the service is rendered.

(iii) Dividend income

Dividend income is recognised when the shareholder's rights to receive payment are established.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Employee benefits

(i) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the financial statements *(continued)*

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(v) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Notes to the financial statements *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(x) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Provisions and contingent liabilities *(continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(y) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. 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.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. 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 intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

4. SEGMENT INFORMATION (continued)

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

	2009 RMB million	2008 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

4. SEGMENT INFORMATION *(continued)*

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

	2009 *RMB million*	2008 *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

4. SEGMENT INFORMATION *(continued)*

Geographical information:

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

5. 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.

6. OTHER OPERATING PROFIT/(LOSS), NET

	2009 RMB million	2008 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)

7. INCOME TAX

(a) Income tax expense in the income statement

	2009 **RMB million**	2008 *RMB million*
Current tax expense		
— Provision for PRC enterprise income tax for the year	**1**	1,783
Deferred tax expense *(note 7(b))*	**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 **RMB million**	2008 *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. INCOME TAX *(continued)*

(b) Deferred taxation

(i) Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Borrowing costs capitalised	–	–	(41)	(47)	(41)	(47)
Revaluation of lease prepayments *(note)*	43	44	–	–	43	44
Allowance of inventories	10	501	–	–	10	501
Impairment losses on property, plant and equipment	32	39	–	–	32	39
Depreciation of property, plant and equipment	5	5	–	–	5	5
Expenses to be claimed on paid basis	56	47	–	–	56	47
Change in fair value of available-for-sale financial assets	–	9	(20)	–	(20)	9
Provision for termination benefits	25	36	–	–	25	36
Deductible expenses relating to Bayuquan port connected projects ("Bayuquan Project")	659	438	–	–	659	438
Tax loss	256	–	–	–	256	–
Others	56	21	–	–	56	21
	1,142	1,140	(61)	(47)	1,081	1,093
Set-off within legal tax units and jurisdictions	(61)	(47)	61	47	–	–
Net deferred tax assets	1,081	1,093	–	–	1,081	1,093

Note: As described in note 28(b), land use rights are carried at cost. The surplus on the revaluation of land use rights net of deferred tax assets are reversed to the equity attributable to owners of the Company.

7. INCOME TAX *(continued)*

(b) Deferred taxation *(continued)*

(ii) Movement in temporary differences during the year:

	Balance at 1 January 2008 *RMB million*	Recognised in profit or loss *RMB million*	Recognised in reserves *RMB million*	Balance at 31 December 2008 and 1 January 2009 *RMB million*	Acquisition of subsidiary *RMB million*	Recognised in profit or loss *RMB million*	Recognised in reserves *RMB million*	Balance at 31 December 2009 *RMB million*
Borrowing costs capitalised	(54)	7	–	(47)	–	6	–	(41)
Revaluation of lease prepayments	45	(1)	–	44	–	(1)	–	43
Allowance of inventories	19	482	–	501	–	(491)	–	10
Impairment losses on property, plant and equipment	34	5	–	39	–	(7)	–	32
Depreciation of property, plant and equipment	5	–	–	5	–	–	–	5
Expenses to be claimed on paid basis	36	11	–	47	–	9	–	56
Change in fair value of available-for-sale financial assets	(47)	–	56	9	–	–	(29)	(20)
Provision for termination benefits	49	(13)	–	36	–	(11)	–	25
Deductible expenses relating to Bayuquan Project	18	420	–	438	–	221	–	659
Tax loss	–	–	–	–	182	74	–	256
Others	3	18	–	21	–	35	–	56
	108	929	56	1,093	182	(165)	(29)	1,081

Notes to the financial statements *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2009

8. PROFIT FOR THE YEAR

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

(a) Finance costs

	2009 RMB million	2008 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 RMB million	2008 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 *(note 20)*	**677**	1,929
Staff costs		
— Salaries and wages, welfare and other costs	**1,840**	1,933
— Contributions to defined contribution scheme	**656**	633
	2,496	2,566
Repairs and maintenance	**2,885**	3,401
Research and development costs	**10**	25

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

Directors' and supervisors' remunerations were as follows:

	Directors' and supervisors' fees *RMB million*	Salaries, allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	2009 Total *RMB million*
Executive directors					
Zhang Xiaogang	—	—	—	—	—
Yang Hua	—	0.52	—	0.08	0.60
Tang Fuping (ceased on 26 June 2009)	—	0.20	—	0.03	0.23
Chen Ming (appointed on 6 February 2009)	—	0.20	—	0.03	0.23
Fu Jihui	—	0.29	—	0.05	0.34
Fu Wei (ceased on 12 June 2009)	—	0.09	—	0.01	0.10
Lin Daqing (ceased on 12 June 2009)	—	0.05	—	0.01	0.06
Wang Chun Ming (ceased on 12 June 2009)	—	0.09	—	0.01	0.10
Non-executive director					
Yu Wanyuan	—	—	—	—	—

Notes to the financial statements *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2009

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

Directors' and supervisors' remunerations were as follows: *(continued)*

	Directors' and supervisors' fees *RMB million*	Salaries, allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	2009 Total *RMB million*
Independent non-executive directors					
Wang Linsen (ceased on 12 June 2009)	0.05	–	–	–	0.05
Liu Yongze (ceased on 12 June 2009)	0.05	–	–	–	0.05
Francis Li Chak Yan (ceased on 12 June 2009)	0.05	–	–	–	0.05
Wang Xiaobin (ceased on 12 June 2009)	0.05	–	–	–	0.05
Wu Xichun (ceased on 12 June 2009)	–	–	–	–	–
Li Shijun (appointed on 12 June 2009)	0.05	–	–	–	0.05
Ma Guoqiang (appointed on 12 June 2009)	0.05	–	–	–	0.05
Liu Wei (appointed on 12 June 2009)	0.05	–	–	–	0.05
Kwong Chi Kit, Victor (appointed on 18 September 2009	0.05	–	–	–	0.05
Supervisors					
Wen Baoman	–	–	–	–	–
Xing Guibin	–	0.16	–	0.02	0.18
Zhang Lifen (ceased on 12 June 2009)	–	0.20	–	0.03	0.23
Shan Mingyi	–	0.29	–	0.05	0.34
Li Ji (ceased on 12 June 2009)	–	0.06	–	0.01	0.07
	0.40	2.15	–	0.33	2.88

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

Directors' and supervisors' remunerations were as follows: *(continued)*

	Directors' and supervisors' fees *RMB million*	Salaries, allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	2008 Total *RMB million*
Executive directors					
Zhang Xiaogang	–	–	–	–	–
Yang Hua	–	0.54	–	0.09	0.63
Tang Fuping	–	0.54	–	0.09	0.63
Huang Haodong (resigned on 28 November 2008)	–	0.35	–	0.06	0.41
Fu Jihui	–	0.35	–	0.06	0.41
Fu Wei	–	0.35	–	0.06	0.41
Lin Daqing	–	0.35	–	0.06	0.41
Wang Chun Ming	–	0.35	–	0.06	0.41
Non-executive directors					
Yu Wanyuan	–	–	–	–	–
Independent non-executive directors					
Wang Linsen	0.09	–	–	–	0.09
Liu Yongze	0.09	–	–	–	0.09
Francis Li Chak Yan	0.09	–	–	–	0.09
Wang Xiaobin	0.09	–	–	–	0.09
Wu Xichun	–	–	–	–	–
Supervisors					
Wen Baoman	–	–	–	–	–
Xing Guibin	–	0.21	–	0.03	0.24
Zhang Lifen	–	0.33	–	0.06	0.39
Shan Mingyi	–	0.35	–	0.06	0.41
Li Ji	–	0.28	–	0.04	0.32
	0.36	4.00	–	0.67	5.03

Notes to the financial statements *(continued)*

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2008: RMB Nil).

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2008: RMB Nil).

The five highest paid individuals of the Group in 2009 included four executive directors and one supervisor of the Company (2008: five executive directors) whose emoluments are disclosed above.

10. DIVIDENDS

(a) Dividend for the year

	2009 *RMB million*	2008 *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.

10. DIVIDENDS *(continued)*

(b) Dividend for the previous financial year, approved and paid during the year

	2009 *RMB million*	2008 *RMB million*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.21 per share (2008: RMB0.55 per share)	**1,519**	3,979

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.

11. 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.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB million	Plant, machinery and equipment RMB million	Transportation vehicles and other related equipment RMB million	Total RMB million
Cost:				
At 1 January 2008	11,201	30,692	2,054	43,947
Additions	13	11	1	25
Transfer from construction in progress *(note 14)*	4,535	10,281	647	15,463
Disposals	(28)	(113)	(18)	(159)
At 31 December 2008 and 1 January 2009	15,721	40,871	2,684	59,276
Additions	12	4	3	19
Acquisition of a subsidiary	659	1,417	57	2,133
Transfer from construction in progress *(note 14)*	4,023	10,068	601	14,692
Disposals	(18)	(129)	(51)	(198)
At 31 December 2009	20,397	52,231	3,294	75,922
Accumulated depreciation and impairment:				
At 1 January 2008	1,831	8,717	740	11,288
Charge for the year	829	3,613	333	4,775
Written back on disposals	(11)	(86)	(10)	(107)
Impairment losses *(note (b))*	13	51	—	64
At 31 December 2008 and 1 January 2009	2,662	12,295	1,063	16,020
Charge for the year	1,080	4,765	419	6,264
Written back on disposals	(14)	(111)	(50)	(175)
Impairment losses *(note (b))*	3	3	—	6
At 31 December 2009	3,731	16,952	1,432	22,115
Carrying amount:				
At 31 December 2009	16,666	35,279	1,862	53,807
At 31 December 2008	13,059	28,576	1,621	43,256

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Note:

(a) All of the Group's buildings are located in the PRC.

(b) During the year ended 31 December 2009, the Group planned to dispose of certain machinery which were obsolete. The recoverable amounts of these machinery were assessed based on their scrap value less costs to sell. As a result, the carrying amount of the machinery, after recognised the impairment losses, was written down by RMB6 million (2008: RMB64 million). The impairment loss for the year is included in "Other operating profit/(loss), net" in the consolidated income statement.

13. INTANGIBLE ASSETS

	Industrial technology *RMB million*
Cost:	
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	32
Accumulated amortisation:	
At 1 January 2008	10
Amortisation for the year	4
At 31 December 2008 and 1 January 2009	14
Amortisation for the year	5
At 31 December 2009	19
Carrying amount:	
At 31 December 2009	13
At 31 December 2008	18

The remaining useful lives of the intangible assets are in the range of 2 to 6 years.

14. CONSTRUCTION IN PROGRESS

	2009 **RMB million**	2008 RMB million
At 1 January	**18,789**	17,115
Acquisition of a subsidiary	**1,593**	—
Additions	**7,232**	17,137
	27,614	34,252
Transfer to property, plant and equipment *(note 12)*	**(14,692)**	(15,463)
At 31 December	**12,922**	18,789

15. LEASE PREPAYMENTS

Lease prepayments represent the land use rights on land located in the PRC under medium term leases. The remaining periods of the land use rights of the Group range from 38 to 48 years.

At 31 December 2009, the Group was in the process of applying for or changing registration of the title certifications of certain of its land use rights with an aggregate carrying value of approximately RMB1,307 million (2008: RMB1,317 million), of which related to acquisition of the entire equity interests of Angang New Steel and Iron Company Limited ("ANSI") as mentioned in the circular published by the Company on 11 November 2005 with an aggregate carrying value of approximately RMB10 million (2008: RMB20 million). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned land

16. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2009 are as follows:

Name	Form of business structure	Place of incorporation and operation	Registered and paid up capital	Percentage of equity interest held by the Group	Principal activities
鞍鋼鋼材配送(武漢)有限公司 (Angang Steel Logistics (Wuhan) Company Limited)	Limited liability company	PRC	RMB60 million	100%	Not yet commence business
天津鞍鋼天鐵冷軋薄板有限公司 (Tianjin Angang Tian Tie Cold Rolled Sheets Company Limited) ("Tianjin Tiantie")	Equity joint venture	PRC	Registered capital RMB3,700 million Paid up capital RMB2,814 million	50%	Steel rolling processing

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2009 *RMB million*	2008 *RMB million*
Unlisted investments		
— Share of net assets	**934**	864

Details of the Group's interests in the jointly controlled entities at 31 December 2009 are as follows:

Name	Form of business structure	Place of incorporation and operation	Registered and paid up capital	Percentage of equity interest held by the Group	Principal activities
鞍鋼新軋－蒂森克虜伯鍍鋅鋼板有限公司 (ANSC-TKS Galvanizing Co., Ltd.) ("ANSC-TKS")	Sino-foreign equity joint venture	PRC	US$132 million	50%	Production and sale of hot dip galvanised steel products
鞍鋼股份－大船重工大連鋼材加工配送有限公司 (ANSC — Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Co., Ltd) ("ANSC-Dachuan")	Equity joint venture	PRC	RMB380 million	50%	Sale, processing and distribution of steel products

PUBLIC FILE

Notes to the financial statements *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2009

32

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

Details of the Group's interests in the jointly controlled entities at 31 December 2009 are as follows: *(continued)*

Name	Form of business structure	Place of incorporation and operation	Registered and paid up capital	Percentage of equity interest held by the Group	Principal activities
長春一汽鞍井鋼材加工配送有限公司 (Changchun FAM Steel Processing and Distribution Company Limited) ("Changchun FAM")	Sino-foreign equity joint venture	PRC	RMB90 million	50%	Sale, processing, distribution and storage of steel products
鞍鋼蒂森克虜伯鋼材配送(長春)有限公司 (TKAS (Changchun) Steel Service Center Ltd.) ("TKAS-SSC")	Sino-foreign equity joint venture	PRC	US$12 million	50%	Production, processing and sale of anti-fluorin steel and connected commercial activities

The following amounts are the Group's share of the jointly controlled entities that are accounted for by the equity method of accounting.

	2009 RMB million	2008 RMB million
At 31 December		
Non-current assets	**1,184**	1,172
Current assets	**1,340**	504
Non-current liabilities	**(445)**	(496)
Current liabilities	**(1,104)**	(292)
Net assets	**975**	888
Year ended 31 December		
Revenue	**2,124**	1,729
Expenses	**(2,036)**	(1,682)
	88	47

18. INTERESTS IN ASSOCIATES

	2009 **RMB million**	2008 *RMB million*
Unlisted investments		
— Share of net assets	**465**	1,388

Details of the Group's interests in the associates at 31 December 2009 are as follows:

Name	Form of business structure	Place of incorporation and operation	Registered and paid up capital	Percentage of equity interest held by the Group	Principal activities
鞍鋼瀋陽鋼材加工配送有限公司 (Angang Shenyang Steel Product Processing And Distribution Company Limited) ("Angang Shenyang")	Equity joint venture	PRC	RMB48 million	30%	Sale, processing and distribution of steel products
蒂森克虜伯鞍鋼(長春)激光拼焊板有限公司 (TKAS (Changchun) Tailored Blanks Ltd) ("TKAS")	Sino-foreign equity joint venture	PRC	US$10 million	45%	Production and sale of tailored blanks
鞍鋼實業集團包裝鋼帶有限公司 (Angang Package Steel Strip Company Limited) ("Angang Steel Strip")	Equity joint venture	PRC	RMB36 million	30%	Production and sales of packing steel strip
鞍鋼集團財務有限公司 (Angang Holdings Financial Company Limited) ("Angang Finance")	Equity joint venture	PRC	RMB1,000 million	20%	Provision of financial service of deposit, lending, financing and etc.
天津天鐵濱海冶金實業有限公司 (Tianjin Tiantie Ban Hai Metallurgy Enterprise Company Limited) ("Ban Hai Enterprise")	Equity joint venture	PRC	RMB5million	30%	Provision of service

18. INTERESTS IN ASSOCIATES *(continued)*

Summary financial information in respect of the Group's associates is set out below:

	2009 **RMB million**	2008 RMB million
At 31 December		
Total assets	**19,660**	26,909
Total liabilities	**(17,492)**	(22,065)
Net assets	**2,168**	4,844
Group's share of associates' net assets	**465**	1,408
Year ended 31 December		
Total revenue	**1,423**	2,076
Total profit/(loss) for the year	**399**	(119)
Group's share of associates' profits less losses for the year	**88**	33

19. OTHER INVESTMENTS

	2009 **RMB million**	2008 RMB million
Available-for-sale financial assets		
Equity securities, at fair value		
— Listed in the PRC	**161**	45
Unlisted equity securities, at cost	**230**	10
	391	55

The fair values of listed securities are based on current bid prices. Unlisted equity securities with carrying amount of RMB230 million (2008: RMB10 million) was carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

20. INVENTORIES

	2009 RMB million	2008 RMB million
Raw materials and fuels	**2,511**	3,238
Work in progress	**2,661**	3,222
Finished goods	**1,571**	852
Spare parts, tools and ancillary materials	**3,915**	3,060
	10,658	10,372

The analysis of the amount of inventories recognised as an expense is as follows:

	2009 RMB million	2008 RMB million
Carrying amount of inventories sold	**67,683**	67,962
Allowance of inventories	**677**	2,042
Reversal of allowance of inventories	**—**	(113)
Realisation of allowance of inventories	**(2,639)**	—
	65,721	69,891

21. TRADE RECEIVABLES

	2009 RMB million	2008 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 RMB million	2008 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

Notes to the financial statements *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2009

21. TRADE RECEIVABLES *(continued)*

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 **RMB million**	2008 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.

22. CASH AND CASH EQUIVALENTS

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

As at 31 December 2009, a deposit of RMB1,288 million (2008: RMB2,878 million) was placed in Angang Finance, an associate and a fellow subsidiary of the Group.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. TRADE PAYABLES

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

23. TRADE PAYABLES *(continued)*

The ageing analysis of trade payables is as follows:

	2009 **RMB million**	2008 *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

24. BANK LOANS

The bank loans are repayable as follows:

	2009 **RMB million**	2008 *RMB million*
On demand or within one year	**21,363**	8,601
In the second year	**5,535**	7,742
In the third to fifth years, inclusive	**5,061**	7,419
After five years	**906**	2,404
	32,865	26,166
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(21,363)**	(8,601)
Amount due for settlement after 12 months	**11,502**	17,565

The carrying amounts of the Group's bank loans are denominated in the following currencies:

	2009 **RMB million**	2008 *RMB million*
RMB	**32,665**	25,830
Euro	**10**	11
Japanese Yen	**190**	325
	32,865	26,166

Notes to the financial statements *(continued)*

24. BANK LOANS *(continued)*

The interest rate at 31 December is as follows:

	2009	2008
Bank loans	**0.25% to 5.346%**	0.25% to 6.966 %

Bank loans of RMB19,155 million (2008: RMB18,595 million) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Among the bank loans of the Group as at 31 December 2009, RMB1,000 million (2008: RMB1,200 million) and RMB3,505 million (2008: RMB Nil) were guaranteed by Angang Holding and 天津天鐵冶金集團有限公司 (Tianjin Tian Tie Metallurgy Holding Ltd.), a minority shareholder and one of its subsidiary respectively.

As at 31 December 2009, loans from Angang Finance, an associate and a fellow subsidiary of the Group, amounted to RMB9,600 million (2008: RMB3,100 million).

25. PROVISIONS

	2009 *RMB million*	2008 *RMB million*
At 1 January	**146**	198
Provision used for the year	**(44)**	(52)
At 31 December	**102**	146
Less: Amount included under "other payables"	**(37)**	(44)
	65	102

Taking into consideration the relevant laws and regulations and the actual situation, as certain employees no longer generate economic benefits for the Group, they have been treated by the Group for compensation purposes by providing them with termination benefits. The termination benefits are calculated based on the salaries and welfare payable to these employees from 1 January 2009 to the normal retirement age. The present value of the future cash flow expected to be required to settle the obligation is recognised as provision for termination benefits.

26. 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, Angang Holding 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.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

Notes to the financial statements *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2009

26. SHARE CAPITAL *(continued)*

Notes: (continued)

(c) Capital management *(continued)*

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain the net debt-to-adjusted capital ratio at a reasonable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-adjusted capital ratio at 31 December 2009 and 2008 was as follows:

	2009 *RMB million*	2008 *RMB million*
Current liabilities		
Trade and other payables	**13,733**	13,383
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
Current portion of bank loans	**21,363**	8,601
	37,786	24,149
Non-current liabilities		
Bank loans	**11,502**	17,565
Total debt	**49,288**	41,714
Add: Proposed dividends	**434**	1,519
Less: Cash and cash equivalents	**(2,242)**	(2,974)
Net debt	**47,480**	40,259
Total equity	**53,657**	52,971
Less: Proposed dividends	**(434)**	(1,519)
Adjusted capital	**53,223**	51,452
Net debt-to-adjusted capital ratio	**89%**	78%

The increase in the net debt-to-adjusted capital ratio during 2009 resulted primarily from the increase of bank loans.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2009, 32.71% (2008: 32.70%) of the shares were in public hands.

27. SHARE PREMIUM

	RMB million
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	31,414

28. RESERVES

	Statutory surplus reserve *(note (a))* *RMB million*	**Special reserve** *RMB million*	**Excess over share capital** *(note (b))* *RMB million*	**Fair value reserve** *(note (c))* *RMB million*	**Total** *RMB million*
2008					
At 1 January 2008	2,981	11	(167)	143	2,968
Proposed transfer for the year *(note 29)*	299	10	—	—	309
Change in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	(170)	(170)
At 31 December 2008	3,280	21	(167)	(27)	3,107
2009					
At 1 January 2009	3,280	21	(167)	(27)	3,107
Proposed transfer for the year *(note 29)*	77	29	—	—	106
Change in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	87	87
At 31 December 2009	3,357	50	(167)	60	3,300

Notes to the financial statements *(continued)*

28. RESERVES *(continued)*

Notes:

(a) Under the Company's Articles of Association, the Company's net profit after tax as reported in the financial statements prepared in accordance with the PRC GAAP can only be distributed as dividends after allowance has been made for:

(i) making up cumulative prior years' losses, if any;

(ii) allocations to the statutory surplus reserve of at least 10% of the net profit after tax, as determined under the PRC GAAP; and

(iii) allocations to the discretionary surplus reserve subject to approval by the shareholders.

(b) Land use rights which are included in lease prepayments are carried at historical cost base. Accordingly, the surplus on the revaluation of land use rights net of deferred tax asset is reversed from the shareholders' funds.

(c) The fair value reserve comprises the cumulative change in the fair value of available-for-sale financial assets net of deferred tax held at the end of the reporting period.

29. RETAINED PROFITS

	2009	2008
	RMB million	*RMB million*
At 1 January	**11,215**	12,510
Profit for the year	**752**	2,993
Transfer between reserves *(note 28)*	**(106)**	(309)
Dividend approved in respect of the previous year *(note 10(b))*	**(1,519)**	(3,979)
At 31 December	**10,342**	11,215

30. DISTRIBUTABLE RESERVE

In accordance with the Company's Articles of Association, the reserve available for distribution is the lower of the amount determined under the PRC GAAP and the amount determined under IFRSs. As at 31 December 2009, the reserve available for distribution was RMB10,280 million (2008: RMB11,149 million (restated)). Final dividend of RMB434 million (2008: RMB1,519 million) in respect of the financial year 2009 was proposed after the end of the reporting period.

31. NOTE TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to cash generated from operations

	2009 *RMB million*	2008 *RMB million*
Operating activities		
Profit before tax	**877**	3,847
Adjustments for:		
Interest income	**(16)**	(37)
Interest expenses	**929**	769
Share of profits less losses of associates	**(88)**	(33)
Share of profits less losses of jointly controlled entities	**(88)**	(47)
Depreciation	**6,264**	4,775
Amortisation of intangible assets	**5**	4
Amortisation of lease prepayments	**143**	135
Loss on disposals of property, plant and equipment	**3**	46
Net exchange gain	**(5)**	(46)
Government grant	**(4)**	(9)
Net allowance of inventories	**677**	1,929
Realisation of allowance of inventories	**(2,639)**	—
Realisation of impairment losses on property, plant and equipment	**(34)**	—
Other operating income	**(17)**	—
Impairment losses on property, plant and equipment	**6**	64
Operating profit before changes in working capital	**6,013**	11,397
Decrease/(increase) in inventories	**1,444**	(3,904)
(Increase)/decrease in amounts due from fellow subsidiaries	**(2,182)**	421
Decrease/(increase) in accounts receivables	**1**	(5)
(Increase)/decrease in bills receivables	**(819)**	3,238
Decrease/(increase) in amount due from ultimate parent	**95**	(97)
Increase in amount due from a jointly controlled entity	**(98)**	—
Decrease in prepayments, deposits and other receivables	**235**	83
(Decrease)/increase in accounts payables	**(1,368)**	1,554
(Decrease)/increase in bills payables	**(1,076)**	3,533
Increase in amount due to ultimate parent	**184**	7
Increase in amounts due to fellow subsidiaries	**57**	552
Increase/(decrease) in amounts due to jointly controlled entities	**348**	(122)
(Decrease)/increase in amounts due to associates	**(34)**	42
Increase/(decrease) in other payables	**898**	(1,527)
Increase in deferred income	**81**	45
Cash generated from operations	**3,779**	15,217

31. NOTE TO THE STATEMENT OF CASH FLOWS *(continued)*

(b) Acquisition of a subsidiary

On 29 September 2009, the Group contributed RMB432 million capital in Tianjin Tiantie. After the capital contribution, the Group increased its shareholding in Tianjin Tiantie from 34.51% to 50%.

The fair value of the identifiable assets and liabilities of Tianjin Tiantie acquired as at its date of contribution is as follows:

	RMB million
Net assets acquired:	
Property, plant and equipment	2,133
Construction in progress	1,593
Lease prepayments	455
Interests in an associate	2
Deferred tax assets	182
Inventories	687
Trade receivables	340
Amount due from an associate	1
Prepayments, deposits and other receivables	1,249
Cash and cash equivalents	1,616
Trade payables	(1,383)
Amount due to an associate	(3)
Other payables	(403)
Bank loans	(3,655)
Minority interests	(1,407)
Net assets shared by the Group prior contribution of capital completed	(975)
Satisfied by:	
Cash and cash equivalents	432
Net cash inflow arising on acquisition:	
Cash consideration paid	(432)
Cash and cash equivalents acquired	1,616
	1,184

31. NOTE TO THE STATEMENT OF CASH FLOWS *(continued)*

(b) Acquisition of a subsidiary *(continued)*

Tianjin Tiantie contributed approximately loss of RMB82 million to the Group's profit for the year for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2009, total Group turnover for the year would have been RMB70,905 million, and profit for the year would have been RMB552 million. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is intended to be a projection of future results.

32. COMMITMENTS

The Group had capital commitments outstanding at the end of the reporting period not provided for in the financial statements as follows:

	2009 ***RMB million***	2008 *RMB million*
Authorised and contracted for:		
— Construction projects of production lines	**2,764**	4,867
— Investment in an associate	**—**	915
— Investment in a subsidiary to be set up	**318**	—
	3,082	5,782

Notes to the financial statements *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2009

33. 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 Group"), the jointly controlled entities and associates during the year.

(a) Significant transactions and balances with Angang Group

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

	Notes	**2009** **RMB million**	2008 RMB million
Sales of finished goods (before deducting sales related taxes)	(a)	**6,096**	4,683
Sales of scrap materials and minus sieve powder (before deducting sales related taxes)	(a)	**123**	417
Fee received for utilities and services provided	(b)	**512**	623
Sales of assets	(c)	**3**	4
Purchase of raw materials	(d)	**14,086**	18,098
Purchase of ancillary materials and spare parts	(e)	**1,460**	2,127
Utility supplies	(f)	**1,927**	1,642
Fees paid for welfare and other support services	(g)	**6,034**	9,333
Purchase of assets	(h)	**87**	1,289
Interest received	(i)	**8**	21
Interest paid	(i)	**331**	218

Notes:

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

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

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

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

33. RELATED PARTY TRANSACTIONS *(continued)*

(a) Significant transactions and balances with Angang Group *(continued)*

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

Notes: (continued)

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

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

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

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

(h) The Group purchased certain assets (included the lease payments) from Angang Group at prices based on market value.

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

As at 31 December 2009, the deposit placed with Angang Finance amounted to RMB1,288 million (2008: RMB2,878 million) and the loans from Angang Finance amounted to RMB9,600 million (2008: RMB3,100 million).

The deferred cash payment for the acquisition of ANSI bears interest at rates quoted by the People's Bank of China for the same period. Interest paid for the year in respect of the deferred cash payment amounted to RMB Nil (2008: RMB98 million).

33. RELATED PARTY TRANSACTIONS *(continued)*

(a) Significant transactions and balances with Angang Group *(continued)*

(ii) Bank loans

As at 31 December 2009, certain bank loans amounted to RMB1,000 million (2008: RMB1,200 million) were guaranteed by Angang Holding.

(iii) Amount due from/to ultimate parent

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

The amount due from/to ultimate 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 Material and Services Agreement 2008/09 ("Supply Agreement") with Angang Holding on 24 October 2007, which became effective on 1 January 2008 for 2 years. According to the Supply Agreement, the cap of total transactions for the year amounted to RMB59,440 million.

The Company entered into a new Supply of Material and Services Agreement 2010/11 with Angang Holding on 27 October 2009, which would become effective on 1 January 2010 for 2 years.

33. RELATED PARTY TRANSACTIONS *(continued)*

(b) Significant transactions with other related parties

(i) Significant transactions with ANSC-TKS

The Group sold finished goods to ANSC-TKS amounting to RMB1,720 million (2008: RMB2,061 million) for further processing.

(ii) Significant transactions with Changchun FAM

The Group sold finished goods to Changchun FAM amounting to RMB73 million (2008: RMB114 million) for further processing.

(iii) Significant transactions with TKAS-SSC

The Group sold finished goods to TKAS-SSC amounting to RMB297 million (2008: RMB9 million) for further processing.

The Group paid agency fee to TKAS-SSC amounting to RMB1 million (2008: RMB Nil) for the agency services provided by TKAS-SSC for domestic sales of products.

(iv) Significant transactions with TKAS

The Group sold finished goods to TKAS amounting to RMB3 million (2008: RMB2 million) for further processing

(v) Significant transactions with Tianjin Tiantie

The Group sold finished goods to Tianjin Tiantie prior Tianjin Tiantie became a subsidiary of the Group amounting to RMB1,136 million (2008: RMB Nil) for further processing.

Notes to the financial statements *(continued)*

33. RELATED PARTY TRANSACTIONS *(continued)*

(b) Significant transactions with other related parties *(continued)*

(vi) Significant transactions with Ban Hai Enterprise

The Group sold scrap steel to Ban Hai Enterprise amounting to RMB14 million (2008: RMB Nil).

The Group paid services fee for the service provided by Ban Hai Enterprise amounting to RMB25 million (2008: RMB Nil).

(vii) 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 the 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.

(viii) Transactions with key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and supervisors as disclosed in note 9 is as follows.

	2009	2008
	RMB million	*RMB million*
Directors' and supervisors' fees	**0.40**	0.36
Salaries, allowance and other benefits in kind	**2.62**	4.34
Retirement scheme contributions	**0.43**	0.73
	3.45	5.43

33. RELATED PARTY TRANSACTIONS *(continued)*

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

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

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

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

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

34. RETIREMENT BENEFITS AND OTHER STAFF BENEFITS

The Group is required to contribute to the retirement benefits scheme based on 20% (2008: 20%) of the total salary in accordance with the regulations of the local labour bureau.

All the employees of the Group are entitled to receive, on retirement, pension payments from these schemes. Except as disclosed in note 25, the Group has no other material obligation for payment of retirement benefits beyond the contributions.

35. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk, interest rate risk and equity price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

35. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Foreign currency risk

The Group has no significant foreign currency risk exposure arising from the transactions as the Group has fixed the exchange rates to settle the amounts with the export and import agents for the export of products and import of raw materials for production and equipments for construction.

At 31 December 2009, if the RMB had weakened 5 per cent against the Japanese Yen with all other variables held constant, consolidated profit after tax for the year would have been RMB10 million (2008: RMB16 million) lower, arising mainly as a result of the foreign exchange loss on borrowings denominated in Japanese Yen. If the RMB had strengthened 5 per cent against the Japanese Yen with all other variables held constant, consolidated profit after tax for the year would have been RMB10 million (2008: RMB16 million) higher, arising mainly as a result of the foreign exchange gain on borrowings denominated in Japanese Yen.

(b) Credit risk

The carrying amount of the cash and cash equivalents, trade and other receivables, investments, amount due from ultimate parent, amounts due from fellow subsidiaries and amount due from a jointly controlled entity included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from fellow subsidiaries and a jointly controlled entity are closely monitored by the directors.

The credit risk on cash and cash equivalents is limited.

35. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year *RMB million*	Between 1 and 2 years *RMB million*	Between 3 and 5 years *RMB million*	Over 5 years *RMB million*
At 31 December 2009				
Trade payables	**6,744**	–	–	–
Amount due to ultimate parent	**202**	–	–	–
Amounts due to fellow subsidiaries	**2,104**	–	–	–
Amounts due to jointly controlled entities	**373**	–	–	–
Amounts due to associates	**11**	–	–	–
Other payables	**6,989**	–	–	–
Bank loans	**21,363**	**5,535**	**5,061**	**906**
At 31 December 2008				
Trade payables	7,805	–	–	–
Amount due to ultimate parent	11	–	–	–
Amounts due to fellow subsidiaries	2,087	–	–	–
Amounts due to jointly controlled entities	25	–	–	–
Amounts due to associates	42	–	–	–
Other payables	5,578	–	–	–
Bank loans	8,601	7,742	7,419	2,404

35. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank loans. The Group's bank deposits and certain of the Group's bank loans bear interests at variable rates varied with the then prevailing market condition. The Group's other bank loans bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

At 31 December 2009, if the interest rate at that date had been decreased by 1 per cent with all other variables held constant, consolidated profit after tax for the year would have been RMB126 million (2008: RMB51 million) higher, arising mainly as a result of lower interest expense on bank loans. If the interest rate at that date had been increased by 1 per cent with all other variables held constant, consolidated profit after tax for the year would have been RMB126 million (2008: RMB51 million) lower, arising mainly as a result of higher interest expense on bank loans.

(e) Equity price risk

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2009, if the equity share price increase/decrease by 10 per cent with all other variables held constant, the Group's consolidated other comprehensive income would have been RMB16 million (2008 RMB4 million) higher/lower, arising as a result of change of fair value of available-for-sale financial assets.

(f) Categories of financial instruments at 31 December 2009

	2009 *RMB million*	2008 *RMB million*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**12,054**	8,726
Other investments, at cost	**230**	10
Available-for-sale financial assets, at fair value	**161**	45
Financial liabilities:		
Financial liabilities at amortised cost	**44,982**	39,097

35. FINANCIAL INSTRUMENTS *(continued)*

(g) Fair values

Except as disclosed in note 19 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 December 2009:

Description	Fair value measurement using: Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total 2009 *RMB million*
Available-for-sale financial assets	**161**	**—**	**—**	**161**

Description	Fair value measurement using: Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total 2008 *RMB million*
Available-for-sale financial assets	45	—	—	45

36. EVENTS AFTER THE REPORTING PERIOD

The directors proposed a final dividend subsequent to the end of the reporting period (note 10).

On 25 January 2010, the board of directors of the Company has approved to set up a wholly owned subsidiary in Putian City, Fujian Province with a total investment cost of RMB3,798 million.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in note 3. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment for property, plant and equipment and intangible assets

If circumstances indicate that the carry amount of property, plant and equipment and intangible assets may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of assets". The carrying amounts of property, plant and equipment and intangible assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less cost to sell and the value in use. It is difficult to precisely estimate fair value because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Allowance for inventories

As explained in note 3(k), the Group's inventories, other than spare parts and tools, are stated at the lower of cost and net realisable value. Spare parts and tools are stated at cost less any allowance for obsolescence. Based on the Group's recent experience and the nature of the inventories, the Group makes estimates of the selling prices, the costs to be incurred in selling the inventories and the costs of completion in case for work in progress or the usage for future repair and maintenance. Uncertainty exists in these estimations.

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 GAAP")

	Note	Profit for the year of the Group 2009 RMB million	2008 RMB million	Profit for the year attributable to owners of the Company 2009 RMB million	2008 RMB million
Under IFRSs		**711**	2,993	**752**	2,993
Adjustments					
— Lease prepayment amortised	(i)	**(5)**	(5)	**(5)**	(5)
— Production safety expenses	(ii)	**(29)**	(10)	**(29)**	(10)
— Deferred tax charge	(iii)	**9**	3	**9**	3
Under PRC GAAP (as restated)		**686**	2,981	**727**	2,981

	Note	Total equity of the Group 2009 RMB million	2008 RMB million	Equity attributable to owners of the Company 2009 RMB million	2008 RMB million
Under IFRSs		**53,657**	52,971	**52,291**	52,971
Adjustments					
— Revaluation of land use rights	(i)	**171**	176	**171**	176
— Deferred tax assets	(iii)	**(30)**	(39)	**(30)**	(39)
Under PRC GAAP		**53,798**	53,108	**52,432**	53,108

Notes:

(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.

Five Years Summary

A PREPARED IN ACCORDANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES IN THE PRC

	2009	2008	2007	2006	2005
	RMB million	*RMB million*	*RMB million* (restated)	*RMB million*	*RMB million*
Principal operating revenue	**70,126**	79,616	65,499	54,330	26,632
Net profit	**686**	2,981	7,533	7,003	2,079
Total assets	**100,987**	92,184	86,783	58,385	14,290
Total liabilities	**(47,189)**	(39,076)	(32,520)	(28,262)	(2,961)
Net assets	**53,798**	53,108	54,263	30,123	11,329

B PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

	2009	2008	2007	2006	2005
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Turnover	**70,057**	78,985	65,294	54,283	26,488
Profit for the year attributable to owners of the Company	**752**	2,993	7,534	7,094	2,117
Non-current assets	**76,488**	72,026	56,430	46,923	9,671
Current assets	**26,638**	22,800	30,951	11,590	4,553
Current liabilities	**(37,828)**	(24,149)	(20,811)	(17,377)	(2,369)
Net current (liabilities)/assets	**(11,190)**	(1,349)	10,140	(5,787)	2,184
Total assets less current liabilities	**65,298**	70,677	66,570	41,136	11,855
Non-current liabilities	**(11,641)**	(17,706)	(12,443)	(11,135)	(604)
Net assets	**53,657**	52,971	54,127	30,001	11,251

PUBLIC FILE

Five Years Summary *(continued)*

B PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Note:

(a) Turnover was stated as the amount before deducting sales related taxes

(b) In 2007, the Group changed its accounting policy relating to interest in jointly controlled entities. The new accounting policy has been applied retrospectively by restating opening balance at 1 January 2006 and 2007.

(c) Figures in years earlier than 2006 are stated in accordance with the policies before the change on a consistent basis.

Other Relevant Corporate Information

INCORPORATION OF THE COMPANY:

Date:	8 May 1997
Place:	396 Nan Zhong Hua Road, Tie Dong District, Anshan City, Liaoning Province

BUSINESS ADDRESS OF THE COMPANY IN HONG KONG:

23rd Floor, Entertainment Building, 30 Queen's Road, Central, Hong Kong

REGISTRATION NUMBER OF LEGAL PERSON BUSINESS LICENSE HELD BY THE COMPANY:

210000400006026

TAXATION REGISTRATION NUMBER:

210302242669479

AUDITORS:

Name of the international auditors :	RSM Nelson Wheeler
Place of Business :	29th Floor, Caroline Centre, Lee Gardens Two, 28 Yun Ping Road, Hong Kong
Name of the PRC auditors:	RSM China Certified Public Accountants Co., Ltd
Place of Business :	8-9/F, Block A, Corporate Square, No. 35 Finance Street, Xicheng District, Beijing

2

Documents Available for Inspection

1. Financial statements of the Company signed by the Legal Representative, Chief Accountant and Head of the Accounting Department of the Company and with seal affixed;

2. Original of the auditors' report of the Company sealed by the accounting firm and signed and sealed by certified public accountants;

3. Originals of all documents and manuscripts of announcements disclosed by the Company in the China Securities Journal and the Securities Times in 2009;

4. Annual report of the Company submitted to the Hong Kong Stock Exchange.

The above documents are available for inspection at the secretarial office of the Board of Directors, Angang Steel Company Limited* situated at No. 1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province.

Note: This report is prepared in both Chinese and English. The Chinese version shall prevail in case of any inconsistency in the interpretation of the two versions.

Angang Steel Company Limited*
The Board of Directors

19 April 2010