



鞍 鋼 股 份 有 限 公 司
ANGANG STEEL COMPANY LIMITED*

(Stock Code : 0347)

2012

Interim Report

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Important Notice and Definitions

I. IMPORTANT:

The Board of Directors, the Supervisory Committee, and the Directors, the Supervisors and the senior management of the Company confirm that there are no false representations or misleading statements contained in, or material omissions from, this report, and jointly and severally take responsibilities for the truthfulness, accuracy and completeness of the contents contained herein.

Mr. Zhang Xiaogang, the Company's Chairman, Mr. Ma Lianyong, Chief Accountant and Controller of Accounts Department (會計機構負責人) confirm that the financial statements in this report are true and complete.

The interim financial report of the Company for the year 2012 is unaudited.

The interim financial report of the Company is prepared in accordance with the Accounting Standards for Business Enterprises in the PRC.

II. DEFINITIONS:

For the purpose of this report, unless the context otherwise requires, the following terms shall have the following meanings:

“Board of Directors” or “Board”	the board of Directors of the Company;
“Company”	Angang Steel Company Limited* (鞍鋼股份有限公司), a joint stock limited company incorporated in the PRC on 8 May 1997;
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets;
“Director(s)”	director(s) of the Company;
“EPS”	earnings per share;
“Group”	the Company and the subsidiaries under its control;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China;
“Reporting Period”	the 6-month period from 1 January 2012 to 30 June 2012;
“RMB”	Renminbi, the lawful currency of the PRC;
“Supervisor(s)”	member(s) of the Supervisory Committee;
“Supervisory Committee”	the supervisory committee of the Company; and
“VAT”	value added tax.

Company's Profile

I. CORPORATE PROFILE

- (I) Legal Chinese Name of the Company : 鞍鋼股份有限公司
Legal English Name of the Company : Angang Steel Company Limited
English Name Abbreviation : ANSTEEL
- (II) Stock Exchange Listings : A shares: Shenzhen Stock Exchange
H shares: Hong Kong Stock Exchange
Stock Abbreviation of A shares : Angang Steel
Stock Abbreviation of H shares : Angang Steel
Stock Code of A share : 000898
Stock Code of H share : 0347
- (III) Registered Address of the Company : Production Area of Angang Steel,
Tie Xi District, Anshan City,
Liaoning Province, the PRC
Business Address of the Company : Production Area of Angang Steel,
Tie Xi District, Anshan City,
Liaoning Province, the PRC
Postal Code : 114021
Website of the Company : <http://www.ansteel.com.cn>
E-mail of the Company : ansteel@ansteel.com.cn
- (IV) Legal Representative : Zhang Xiaogang

I. CORPORATE PROFILE *(CONTINUED)*

- (V) Secretary to the Board of the Company : Fu Jihui
Securities Affairs Representative of the Board : Jin Yimin
Telephone : 0412-8419192 0412-8417273
Fax : 0412-6727772
E-mail : ansteel@ansteel.com.cn
Company Address : 1 Qianshan Road West,
Qianshan District, Anshan City,
Liaoning Province, the PRC
- (VI) Company's Designated PRC Newspapers for Disclosure of Information : China Securities Journal,
Securities Times
Website for Publication of Interim Report Designated by CSRC : <http://www.cninfo.com.cn>
Website for Disclosure of the Company's Information Overseas : <http://www.hkex.com.hk>
and <http://angang.wspr.com.hk>
Company's Interim Report Available at : 1 Qianshan Road West,
Qianshan District, Anshan City,
Liaoning Province, the PRC

II. MAJOR ACCOUNTING DATA AND FINANCIAL INDICES (UNAUDITED)

	During the Reporting Period	Same period of the previous year	Increase/ decrease for the Reporting Period as compared with the same period of the previous year (%)
Operating Revenue	39,378	46,334	-15.01
Operating profits	-2,816	50	-5,732.00
Total profit	-2,779	133	-2,189.47
Net profit attributable to shareholders of the Company	-1,976	220	-998.18
Net profit less extraordinary items attributable to shareholders of the Company	-2,004	158	-1,368.35
Basic earnings per share <i>(RMB)</i>	-0.273	0.030	-1,010.00
Diluted earnings per share <i>(RMB)</i>	-0.273	0.030	-1,010.00
Basic earnings per share less extraordinary items <i>(RMB)</i>	-0.277	0.022	-1,359.09
Return on net assets (fully diluted) (%)	-4.05	0.41	Decreased by 4.46 percentage points
Return on net assets (weighted average) (%)	-3.97	0.41	Decreased by 4.38 percentage points

II. MAJOR ACCOUNTING DATA AND FINANCIAL INDICES
(UNAUDITED) (CONTINUED)

	During the Reporting Period	Same period of the previous year	Increase/decrease for the Reporting Period as compared with the same period of the previous year (%)
Return on net assets (fully diluted) less extraordinary items (%)	-4.11	0.30	Decreased by 4.41 percentage points
Return on net assets (weighted average) less extraordinary items (%)	-4.03	0.29	Decreased by 4.32 percentage points
Net cash flows from operating activities	1,720	3,458	-50.26
Net cash flows per share from operating activities (RMB)	0.238	0.478	-50.21

II. MAJOR ACCOUNTING DATA AND FINANCIAL INDICES (UNAUDITED) *(CONTINUED)*

Unit: RMB million

	As at the end of this Reporting Period	As at the end of previous year	Increase/ decrease for the end of the Reporting Period compared with the end of previous year (%)
Total assets	106,709	102,988	3.61
Owners' equity attributable to shareholders of the Company <i>(or shareholder's equity)</i>	48,796	50,751	-3.85
Net assets per share attributable to shareholders of the Company <i>(RMB)</i>	6.74	7.01	-3.85
Liabilities to assets ratio (%)	52.63	49.21	Increased by 3.42 percentage points

II. MAJOR ACCOUNTING DATA AND FINANCIAL INDICES (UNAUDITED) *(CONTINUED)*

Extraordinary items:

No.	Items	Effect on profit <i>(RMB million)</i>
1	Gains/losses from disposal of non-current assets	19
2	Government subsidies (except for government subsidies which are closely related to the Company's operations, in compliance with requirements of the national policies and entitled continuously in a fixed amount or quantity in conformity with the standards of the State) attributable to gains or losses for the period	18
3	Subtotal	37
4	Effect on taxation	-9
5	Total	28

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

III. RETURN ON NET ASSETS AND EARNINGS PER SHARE FOR THE SIX MONTHS ENDED 30 JUNE 2012 OF THE GROUP AS CALCULATED IN ACCORDANCE WITH THE "REGULATIONS FOR PREPARATION AND REPORTING OF INFORMATION DISCLOSURE BY LISTED COMPANIES (NO. 9)" ISSUED BY CSRC.

Profit for the Reporting Period	Return on net assets (%)		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	-4.05	-3.97	-0.273	-0.273
Net profit less extraordinary items attributable to ordinary shareholders of the Company	-4.11	-4.03	-0.277	-0.277

Movements in Share Capital and Shareholding of Substantial Shareholders

I. SHARE CAPITAL STRUCTURE:

As at 30 June 2012, the share capital 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	21,777	0.00	—	-15,372	-15,372	6,405	0.00
1. State-owned shares	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—	—
4. Foreign investment shares	—	—	—	—	—	—	—
Including: shares held by overseas legal persons	—	—	—	—	—	—	—
Shares held by overseas natural persons	—	—	—	—	—	—	—
5. Shares held by senior management	21,777	0.00	—	-15,372	-15,372	6,405	0.00
II. Shares not subject to trading moratorium	7,234,786,070	100.00	—	+15,372	+15,372	7,234,801,442	100.00
1. Renminbi ordinary shares	6,148,986,070	84.99	—	+15,372	+15,372	6,149,001,442	84.99
2. Domestically listed foreign investment 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: During the Reporting Period, shares held by Mr. Fu Wei, a former senior management of the Company were released from trading moratorium upon six months from his resignation, which led to numerical changes in the shares subject to trading moratorium and shares not subject to trading moratorium.

Movements in Share Capital and Shareholding of Substantial Shareholders *(continued)*

I. SHARE CAPITAL STRUCTURE: *(CONTINUED)*

TABLE OF CHANGES IN SHARES SUBJECT TO TRADING MORATORIUM

Unit: Share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the period	Number of shares released from trading moratorium this year	Increase in the number of shares subject to trading moratorium this year	Number of shares subject to trading moratorium at the end of the period	Reasons for being subject to trading moratorium	Date of release from trading moratorium
Fu Wei	15,372	15,372	—	0	Shares held were released from trading moratorium upon six months since resignation.	—
Fu Jihui	6,405	—	—	6,405	—	—
Total	21,777	15,372	—	6,405	—	—

Movements in Share Capital and Shareholding of Substantial Shareholders *(continued)*

II. SHAREHOLDERS' PROFILE

1. Number of shareholders and shareholdings of the Company as at 30 June 2012

Total number of shareholders A total of 194,286 shareholders, 611 of which were H shareholders.

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
Anshan Iron and Steel Group Complex*	Holder of state-owned shares	67.29	4,868,547,330	—	—
HKSCC (Nominees) Limited	Holder of foreign shares	14.73	1,065,962,169	—	Unknown
Bank of China — Efunds Shenzhen Stock Exchange 100 Open-ended Index Securities Investment Fund (中國銀行—易方達深證100交易型開放式指數證券投資基金)	Others	0.33	23,628,726	—	Unknown
China Construction Bank - Yinhua CSI Weight 90 Index Classification of Securities Investment Fund (中國建設銀行—銀華中證等權重90指數分級證券投資基金)	Others	0.26	18,589,330	—	Unknown
Industrial and Commercial Bank of China — Rong Tong Shenzhen Stock Exchange 100 Index Securities Investment Fund (中國工商銀行—融通深證100指數證券投資基金)	Others	0.22	15,658,430	—	Unknown

Movements in Share Capital and Shareholding of Substantial Shareholders *(continued)*

II. SHAREHOLDERS' PROFILE *(CONTINUED)*

1. Number of shareholders and shareholdings of the Company as at 30 June 2012 *(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
Client Credit Trading Guarantee Securities Account of Industrial Securities Co., Ltd. (興業證券股份有限公司 客戶信用交易擔保證券帳戶)	Others	0.15	11,069,997	—	Unknown
An-Bang Insurance Group Co., Ltd. – traditional insurance products (安邦保險集團股份有限公司 —傳統保險產品)	Others	0.15	10,962,000	—	Unknown
Client Credit Trading Guarantee Securities Account of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司 客戶信用交易擔保證券帳戶)	Others	0.14	10,125,510	—	Unknown
China Minsheng Banking Corp., Ltd. – Yinhua SZSE 100 Index Classified Securities Investment Fund (中國民生銀行—銀華深證100指數分級證券投資基金)	Others	0.14	10,011,008	—	Unknown
ICBC-Efunds Value Selective Stock Securities Investment Fund (中國工商銀行—易方達 價值精選股票型證券投資基金)	Others	0.14	10,009,964	—	Unknown

Movements in Share Capital and Shareholding of Substantial Shareholders *(continued)*

II. SHAREHOLDERS' PROFILE *(CONTINUED)*

1. Number of shareholders and shareholdings of the Company as at 30 June 2012 *(Continued)*

Shareholdings of the top 10 shareholders not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium <i>(share)</i>	Class of shares
Anshan Iron and Steel Group Complex*	4,868,547,330	A shares
HKSCC (Nominees) Limited	1,065,962,169	H shares
Bank of China — Efunds Shenzhen Stock Exchange 100 Open-ended Index Securities Investment Fund (中國銀行—易方達深證100交易型開放式指數證券投資基金)	23,628,726	A shares
China Construction Bank - Yinhua CSI Weight 90 Index Classification of Securities Investment Fund (中國建設銀行—銀華中證等權重90指數分級證券投資基金)	18,589,330	A shares
Industrial and Commercial Bank of China — Rong Tong Shenzhen Stock Exchange 100 Index Securities Investment Fund (中國工商銀行—融通深證100指數證券投資基金)	15,658,430	A shares
Client Credit Trading Guarantee Securities Account of Industrial Securities Co., Ltd. (興業證券股份有限公司 客戶信用交易擔保證券帳戶)	11,069,997	A shares

Movements in Share Capital and Shareholding of Substantial Shareholders *(continued)*

II. SHAREHOLDERS' PROFILE *(CONTINUED)*

1. Number of shareholders and shareholdings of the Company as at 30 June 2012 *(Continued)*

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

Name of shareholder	Number of shares held not subject to trading moratorium <i>(share)</i>	Class of shares
An-Bang Insurance Group Co., Ltd. — traditional insurance products (安邦保險集團股份有限公司 —傳統保險產品)	10,962,000	A shares
Client Credit Trading Guarantee Securities Account of Shenyn & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司 客戶信用交易擔保證券帳戶)	10,125,510	A shares
China Minsheng Banking Corp., Ltd. — Yinhua SZSE 100 Index Classified Securities Investment Fund (中國民生銀行—銀華深證100指數分級證券投資基金)	10,011,008	A shares
ICBC-Efunds Value Selective Stock Securities Investment Fund (中國工商銀行—易方達價值精選股票型證券投資基金)	10,009,964	A shares

Movements in Share Capital and Shareholding of Substantial Shareholders *(continued)*

II. SHAREHOLDERS' PROFILE *(CONTINUED)*

1. Number of shareholders and shareholdings of the Company as at 30 June 2012 *(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	Anshan Iron and Steel Group Complex*, the largest shareholder of the Company, has no connected relationship with any of the top 10 shareholders of the Company or any of the top 10 shareholders not subject to trading moratorium. Nor is Anshan Iron and Steel Group Complex* 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. Bank of China — Efunds Shenzhen Stock Exchange 100 Open-ended Index Securities Investment Fund (中國銀行—易方達深證100交易型開放式指數證券投資基金) and ICBC-Efunds Value Selective Stock Securities Investment Fund (中國工商銀行—易方達價值精選股票型證券投資基金) both belong to E Fund Management Co., Ltd. whilst China Construction Bank-Yinhua CSI Weight 90 Index Classification of Securities Investment Fund and China Minsheng Banking Corp., Ltd. – Yinhua SZSE 100 Index Classified Securities Investment Fund are under the management of Yinhua Fund Management Co., Ltd. The Company is not aware of any connected relationship among other shareholders of the Company or any such shareholders acting in concert as provided in Procedures for the Administration of Information Disclosure for Change in Shareholdings of the Shareholders of Listed Companies.
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II. SHAREHOLDERS' PROFILE *(CONTINUED)*

2. Details of the controlling shareholder of the Company

The controlling shareholder of the Company is Anshan Iron and Steel Group Complex*

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 spare parts, electrical machinery, electricity transmission and supply and control equipment, devices 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 State-owned

Movements in Share Capital and Shareholding of Substantial Shareholders *(continued)*

II. SHAREHOLDERS' PROFILE *(CONTINUED)*

3. 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 30 June 2012, 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 of Hong Kong:

Interest in ordinary shares of the Company

Name of shareholder	Number and class of shares held	Percentage	Percentage in	Percentage in	Capacity
		in total share capital	total issued H shares	total issued domestic shares	
		(%)	(%)	(%)	
Anshan Iron and Steel Group Complex*	4,868,547,330 State-owned shares	67.29	—	79.18	Beneficial owner
HKSCC (Nominees) Limited	1,065,962,169 H shares	14.73	98.17	—	Nominee

Directors, Supervisors and Senior Management

I. MOVEMENTS IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Unit: share

Name	Position	Number of shares held as at the beginning of the period	Increase in number of shares held during the period	Decrease in number of shares held during the period	Number of shares held as at the end of the period	Of which: number of shares subject to trading moratorium	Reason of change
Zhang Xiaogang	Chairman	0	—	—	0	—	—
Yang Hua	Vice Chairman	0	—	—	0	—	—
Chen Ming	Vice Chairman, General Manager	610	—	—	610	—	—
Yu Wanyuan	Director	16,317	—	—	16,317	—	—
Fu Jihui	Director, Secretary to the Board	8,540	—	—	8,540	6,405	—
Ma Guoqiang	Independent Non-executive Director	0	—	—	0	—	—
Li Shijun	Independent Non-executive Director	0	—	—	0	—	—
Kwong Chi Kit, Victor	Independent Non-executive Director	0	—	—	0	—	—
Su Wensheng	Chairman of the Supervisory Committee	0	—	—	0	—	—
Shan Mingyi	Supervisor	5,124	—	—	5,124	—	—
Bai Hai	Supervisor	0	—	—	0	—	—
Wang Yidong	Deputy general manager	0	—	—	0	—	—
Liu Baoshan	Deputy general manager	0	—	—	0	—	—
Zhang Lifen	Deputy general manager	0	—	—	0	—	—
Ma Lianyong	Chief Accountant	0	—	—	0	—	—
Ren Ziping	Chief Engineer	0	—	—	0	—	—

All the shares mentioned above are A shares of the Company. Such shares were held by the persons mentioned above in the capacity of family interest (held by his/ her spouse), except for Mr. Fu Jihui (in the capacity of individual beneficial owner).

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

Save as disclosed above, as at 30 June 2012, none of the Directors, Supervisors or 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 of Hong Kong) which were recorded in the register required to be kept under Section 352 of the SFO of Hong Kong, 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 (the “Model Code”) set out in Appendix 10 of the Hong Kong Listing Rules.

III. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHAREHOLDERS

1. Mr. Zhang Xiaogang, Chairman of the Company, has served as the General Manager of Anshan Iron and Steel Group Complex* since January 2007.
2. Mr. Yu Wanyuan, Director of the Company, has served as the Deputy General Manager of Anshan Iron and Steel Group Complex* since December 2001.
3. Mr. Su Wensheng, Chairman of the Supervisory Committee of the Company, has served as a Secretary of Committee for Discipline Inspection of Anshan Iron and Steel Group Complex* since August 2009.

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

As at 29 May 2012, Mr. Su Wensheng was elected as a Supervisor of the fifth session of Supervisory Committee at the 2011 annual general meeting of the Company.

As at 20 June 2012, the appointment of Mr. Wang Yidong as a deputy general manager of the Company was approved at the 36th meeting of the fifth session of the Board of the Company.

As at 20 June 2012, Mr. Su Wensheng was elected as the Chairman of the fifth session of Supervisory Committee at the 16th meeting of the fifth session of the Supervisory Committee of the Company.

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION:

(I) Brief analysis of the operating results and the financial position of the Group:

Unit: RMB million

Item	From January to June 2012	From January to June 2011	Percentage of increase/ decrease %
Operating Income	39,378	46,334	-15.01
Operating Profit	-2,816	50	-5,732.00
Net profit attributable to owners of the Company	-1,976	220	-998.18
Net increase in cash and cash equivalents	255	-1,222	120.87

Notes:

- 1) The decrease in operating income as compared with the same period of the previous year was mainly attributable to i) the decrease in product prices and ii) the decrease in product sales volume.
- 2) The significant decrease in operating profit and the net profit attributable to owners of the Company as compared with the same period of the previous year was mainly due to the changes in the steel products market which witnessed a more significant decrease in product prices as compared with the decrease in prices of raw materials and fuels.
- 3) A more significant net increase in cash and cash equivalents as compared with the same period of the previous year was mainly due to i) a decrease in net cash outflow from investing activities as compared with the previous year following a decrease in cash payments for acquisition and construction of fixed assets, intangible assets and external investments and ii) an increase in net cash inflow from financing activities as compared with the same period of the previous year as a result of the cash received from borrowings exceeding the debt repayment in cash or the payment in cash for distribution of dividend, profit or repayment of interest for the period less than that for the same period of last year.

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(II) A brief analysis of the Group's financial position:

Unit: RMB million

Item	As at 30 June 2012	As at 31 December 2011	Percentage of increase/ decrease %
Total assets	106,709	102,988	3.61
Total liabilities	56,163	50,683	10.81
Shareholders' equity	50,546	52,305	-3.36
Bills receivable	11,364	5,914	92.15
Accounts receivables	2,516	1,879	33.90
Construction materials	61	132	-53.79
Short-term loans	16,303	10,630	53.37
Bills payable	9,406	5,565	69.02
Interests payable	3	232	-98.71
Tax and surcharges payable	-1,252	-1,914	34.59
Non-current liabilities due within 1 year	6,616	4,201	57.49
Other current liabilities	3,010	6,005	-49.88
Long-term borrowings	9,129	13,135	-30.50

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(II) A brief analysis of the Group's financial position: *(continued)*

Notes:

- 1) The increase in total assets as compared with the end of the previous year was mainly attributable to the increase in bills receivable and accounts receivables as compared with the end of the previous year.
- 2) The increase in total liabilities as compared with the end of the previous year was due to the increase in the balances of bills payable and borrowings from banks.
- 3) The decrease in shareholders' equity as compared with the end of the previous year was mainly due to the Company's operating loss for the period.
- 4) The increase of RMB5,450 million in bills receivable as compared with the end of the previous year was mainly attributable to i) the increase in bills received for product sales during this period and ii) the Company's efforts in the issuance of bills and the decrease in endorsement of bills.
- 5) The increase of RMB637 million in accounts receivable as compared with the end of the previous year was mainly attributable to the increase in the accounts receivable from the credit sales during this period.
- 6) The decrease of RMB71 million in construction materials as compared with the end of the previous year was mainly attributable to the receipt of production.
- 7) The increase of RMB5,673 million in short-term borrowings as compared with the end of the previous year was mainly attributable to the increase in the borrowings of working capital of the Company.

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(II) A brief analysis of the Group's financial position: *(continued)*

Notes: *(continued)*

- 8) The increase of RMB3,841 million in bills payable as compared with the end of the previous year was mainly attributable to the increase of bills payable for purchasing raw materials and fuels.
- 9) The decrease of RMB229 million in interests payable as compared with the end of the previous year was mainly attributable to the payment in this period of the provision for the interest of short-term financing bonds made at the end of last year.
- 10) The increase of RMB662 million in the tax and surcharges payable as compared with the end of the previous year was mainly attributable to the fact that VAT for this period offset the input VAT retained from the previous period.
- 11) The increase of RMB2,415 million in non-current liabilities due within 1 year as compared with the end of the previous year was mainly attributable to the transfer of long-term borrowings due within 1 year into borrowings.
- 12) The decrease of RMB2,995 million in other current liabilities as compared with the end of the previous year was mainly attributable to the fact that the issuance amount of short-term financing bonds of RMB3,000 million for this period representing a shortage of RMB3,000 million as compared with that for the previous year.
- 13) The decrease of RMB4,006 million in the long-term borrowings as compared with the end of the previous year was mainly attributable to the transfer of long-term borrowings due within 1 year into non-current liabilities due within 1 year.

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(III) Operation during the Reporting Period

1. *The scope of the Company's principal businesses and their operation conditions:*

The principal businesses of the Company: ferrous metal smelting and steel pressing and processing.

In the first half of the year, the steel market was under grave conditions. To cope with the ever-changing market conditions, the Company, together with all of its employees, forged its core competence and further tapped its potential through strengthened efforts in cost reduction and efficiency enhancement.

(1) *Maintaining stable production in line with the market trend*

From January to June, the Group produced 9,978,200 tonnes of iron, 9,646,000 tonnes of steel and 9,388,200 tonnes of steel products, representing a decrease of 3.55%, 3.77% and 2.95%, respectively, as compared with the same period of the previous year. The Company sold 9,035,000 tonnes of steel products, representing a decrease of 4.00% as compared with the same period of the previous year.

(2) *Endeavors in cost reduction and efficiency enhancement*

In the first half of the year, the Company dedicated itself to cost reduction and efficiency enhancement. To this end, the Company proactively negotiated with Angang Group Company on the pricing mechanism of iron concentrates based on the establishment of an optional procurement mechanism for imported iron ores. It also adopted a series of measures such as optimizing the blending of coal and ores, reducing the cost prior to iron making, contracting the volume of inventories, improving the efficiency of energy utilization, enhancing recycling and management over scrap steel as well as reducing the management costs, in order to lower the costs and boost the profitability of the Company.

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(III) Operation during the Reporting Period *(continued)*

1. *The scope of the Company's principal businesses and their operation conditions: (continued)*

(3) *Promoting competence in research and development through technological innovation*

In the first half of the year, the Company delivered 318 patent applications which had been accepted by the state, including applications for 101 invention patents and 217 utility model patents. The Company has actively carried out communications with peers in the industry with 4 cases regarding the application of significant technological achievements including Development of Low-carbon, Low-silicon and Nil-aluminum (or Low-aluminum) Transformation Induced Plasticity Steel (低碳低矽無鋁(低鋁)相變誘發塑性鋼的開發) being widely promoted to the whole industry for learning and reference.

Enhanced efforts were put into production and marketing researches on major new products under development, including high-grade steel for pipelines, high-grade steel for bridges, steel for rescue capsules, steel for oil well pipelines, steel for bearings, steel for nuclear power plants, high-grade steel for cords and weathering steel for railways.

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(III) Operation during the Reporting Period *(continued)*

1. ***The scope of the Company's principal businesses and their operation conditions: (continued)***

- (4) *Forging ahead with sustainable development with emphasis on energy saving and environmental protection*

In the first half of the year, through balancing energy management, the Company implemented a series of measures to improve the efficiency of recycling and utilizing residual heat generated from coal gas, steam and blast furnace top-pressure recovery turbine, which clamped down the energy saving technical indicators of total energy consumption per tonne and consumption of new water per tonne in steel production by 0.65 % and 1.65% from the same period of the previous year, respectively, both figures achieving historical best results.

Environmental and air indicators in terms of SO₂, NO₂ and PM10 all met the national standards and the emission compliance rate of atmospheric pollutants reached 100%.

- (5) *Striving for higher customer satisfaction in accordance with the philosophy of value-added marketing services*

In light of grave economic conditions, the Company, on one hand, further strengthened the management over marketing channels and target markets with efforts in picking up the sales proportion of strategic and leading products and increasing its market share in northern regions. On the other hand, the Company built and improved the customer management mechanism with integration of production, sales and research whilst catering to the leading enterprises' needs in different regions and industries, thus improving the proportion of direct-sales products and products with high added value and technology standards in its sales portfolio.

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(III) Operation during the Reporting Period *(continued)*

1. **The scope of the Company's principal businesses and their operation conditions:** *(continued)*

- (5) *Striving for higher customer satisfaction in accordance with the philosophy of value-added marketing services (continued)*

The export of steel products remained stable. From January to June, the Group exported a total of 760,000 tonnes steel products, representing a decrease of 80,000 tonnes as compared with the same period of the previous year.

- (6) *Expediting the construction of pilot green plant of Bayuquan Iron and Steel Branch (鮫魚圈鋼鐵分公司) with a focus on economic benefits*

Given the priority to economic benefits, the Company determined the production scale based on products' profit margin and arranged intensive production when appropriate, with a view to improve the profitability to the maximum extent. In the first half of 2012, the Bayuquan Iron and Steel Branch produced 2,853,700 tonnes of iron, 2,758,300 tonnes of steel and 2,629,000 tonnes of steel products, with indicators such as comprehensive coke ratio and consumption of iron and steel materials up to the industry-leading standards.

Deeply-rooted in the concept of green manufacturing of iron and steel, the Company improved such major energy indicators as total energy consumption per tonne and consumption of new water per tonne in steel production to industry-leading standards. Leveraging on the highly-efficient recycling of residual energy and heat, the Company's self-generated electricity reached 72% in proportion to the total power consumption and zero emissions of coal gas and steam, which demonstrated the Company's leading position among peers in the industry.

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(III) Operation during the Reporting Period *(continued)*

2. *Products representing more than 10% of the operating revenue of the Group are as follows:*

Principal businesses of the Group by industries and products

Unit: RMB million

	Principal business by industries					
	Operating revenue	Operating cost	Gross profit margin	Increase/decrease in operating revenue as compared with the same period of the previous year	Increase/decrease in operating cost as compared with the same period of the previous year	Increase/decrease in gross profit margin as compared with the same period of the previous year
			%	%	%	(percentage points)
Steel pressing and processing industry	39,263	38,191	2.73	-15.06	-10.39	-5.07
Principal businesses by products						
Hot-rolled sheets products	13,701	13,213	3.56	1.10	5.13	-3.70
Cold-rolled sheets products	15,020	14,658	2.41	-21.41	-12.23	-10.21
Medium and thick plates	5,087	4,833	4.99	-33.57	-34.49	1.33

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(III) Operation during the Reporting Period *(continued)*

2. **Products representing more than 10% of the operating revenue of the Group are as follows:** *(continued)*

Principal businesses of the Group by industries and products *(continued)*

Including: The connected transactions for sales of products and provision of labour services by the Company to its controlling shareholder and its subsidiaries amounted to RMB4,421 million in total during the Reporting Period.

Notes:

- (1) The slight increase in operating revenue and operating cost from hot-rolled sheets products as compared with the same period of the previous year was mainly attributable to the increase in sales volume of products. The decrease in gross profit margin was mainly due to a more significant decrease in product prices as compared with the decrease in prices of raw materials and fuels.
- (2) The decrease in operating revenue from cold-rolled sheets products was primarily due to i) the drop in product prices in line with the trend of the domestic steel products market and ii) the decrease in sales volume of products. The decrease in operating cost was due to i) the decrease in the products sales volume; ii) the decrease in the prices of raw materials and fuels; and iii) the strengthened efforts in energy saving and consumption reduction as well as other measures to save cost. The decrease in gross profit margin was mainly attributable to a more significant decrease in the product prices as compared with the decrease in prices of raw materials and fuels.
- (3) The decrease in operating revenue from medium and thick plates was due to i) the drop in the prices of steel products and ii) the decrease in the product sales volume. The decrease of operating cost was due to i) the decrease in product sales volume; ii) the decrease in prices of raw materials and fuels; and iii) the strengthened efforts in energy saving and consumption reduction as well as other measures to save cost.

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(III) Operation during the Reporting Period *(continued)*

2. *Products representing more than 10% of the operating revenue of the Group are as follows: (continued)*

Principal business of the Group by industries and product *(continued)*

Unit: RMB million

	Operating income from main operation for the Reporting Period	Operating income from main operation for the same period of the previous year	Increase/ decrease in operating income from main operation as compared with the same period of the previous year (%)
Northeast China	14,057	17,900	-21.47
North China	4,976	5,558	-10.47
East China	8,850	10,104	-12.41
South China	7,074	7,085	-0.16
Central south China	483	820	-41.10
Northwest China	212	292	-27.40
Southwest China	118	144	-18.06
Export sales	3,493	4,321	-19.16
Total	39,263	46,224	-15.06

I. ANALYSIS OF THE OPERATING RESULTS AND THE FINANCIAL POSITION: *(CONTINUED)*

(III) Operation during the Reporting Period *(continued)*

- 3. No substantial change compared with the previous year in principal businesses and their structures.**
- 4. Profitability (gross profit margin) of principal businesses decreased as compared with the previous year, mainly due to a substantial decrease in the sales price of steel products.**
- 5. No substantial change compared with the previous year in profit composition on the same basis.**

(IV) Problems and difficulties in operation

In the first half of the year, the steel product prices headed downwards with a 12% drop in the average price of the Company's steel products as compared with the same period of the previous year, followed by a further decline in July. The ore prices, albeit a downward trend, saw a far milder dip as compared with that in the steel product prices, which seriously squeezed the profit margin of iron and steel enterprises.

The weakened demand in the steel products market hampered the release of the Company's production capacity, thus laying more stress on the iron and steel enterprises.

II. INVESTMENT OF THE COMPANY

(1) External Investments

In the first half of 2012, the Company's external investments aggregated to RMB60 million, representing a decrease of 89.11% from the total external investments of RMB551 million in the same period of the previous year.

In particular, the Company invested RMB52 million in Dalian Shipping Heavy Industry Group Shipbuilding Co., Ltd.* (大連船舶重工集團船務工程有限公司), RMB5 million in Angang Shenyang Steel Product Processing and Distribution Company Limited as well as RMB3 million in CAERI (Beijing) Vehicle Lightweight Technology Academy Limited (國汽(北京)汽車輕量化技術研究院有限公司).

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

Unit: RMB million

Project name	Project budget amount	Project progress (%)	Project proceeds
High-performance cold-rolling silicon steel production line	3,400	99%	-65
Wire production line renovation	755	94%	-65
Total	4,155	—	-130

III. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR

- 1) To reduce the procurement costs and innovate the working mode by further advancing the functional contracting (功能承包).
- 2) To further tap into the market based on an increased proportion of direct-sales customers and proactive expansion of both the markets at home and abroad.
- 3) To capitalize the potential in energy saving and consumption reduction by optimizing the production procedures and expanding the scope of cost reduction and efficiency enhancement.
- 4) To reconstruct the product portfolio by optimizing resources allocation and improving the products and services quality.
- 5) To promote the innovation on the business mode and improve the Company's competitiveness with strengthened efforts in innovation and transformation.

IV. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE OF THE GROUP

As at 30 June 2012, the Group had long-term borrowings (exclusive of borrowings due within 1 year) of RMB9,129 million, which was mainly used as replenishment of liquidity and project capital. The borrowings were for a term ranging from 3 to 25 years at an annual interest rate generally ranging from 5.76% to 7.05%.

As at 30 June 2012, the Group had cash at banks and on hand of RMB2,596 million, as compared with RMB2,341 million as at the end of 2011.

As at 30 June 2012, the Group's total assets less current liabilities amounted to RMB60,415 million, as compared with RMB66,165 million as at the end of 2011.

As at 30 June 2012, the equity attributable to owners of the Group amounted to RMB50,546 million, as compared with RMB52,305 million as at the end of 2011.

V. PLEDGED ASSETS

There were no pledged assets during the Reporting Period.

VI. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2012, the Group had capital commitments of RMB3,812 million, mainly comprising the construction and renovation contracts and external investment contracts which had been executed but not performed or partially performed.

As at 30 June 2012, the Group had no contingent liabilities.

VII. GEARING RATIO

The ratio of total equity to liabilities of the Group was 0.90 time as at 30 June 2012 and 1.03 times as at 31 December 2011.

VIII FOREIGN EXCHANGE RISK

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

IX. EMPLOYEES

As at 30 June 2012, the Company had 28,288 employees, of whom 20,469 were production personnel, 268 were sales personnel, 3,322 were technicians, 266 were accounting personnel and 1,648 were administration personnel. Among the employees of the Company, 11 held postdoctoral degrees, representing 0.04% of the total number of employees; 36 held doctoral degrees, representing 0.13% of the total number of employees; 386 held master degrees, representing 1.36% of the total number of employees; 6,241 held bachelor degrees, representing 22.06% of the total number of employees; 6,897 employees held diplomas, representing 24.38% of the total number of employees and 11,747 employees held the certificates of secondary education, representing 41.53% of the total number of employees.

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

In the first half of 2012, 27,400 employees were arranged to attend various training courses and among them, 63 senior management members attended training for operating and management and strategies to cope with special and difficult times; 387 technicians attended youth cadres training class and trainings for specific technology in colleges, pursued master degrees, and served a temporary position in TAGAL; 416 employees with excellent operating skills attended specific technology and innovation trainings; 26,534 other employees attended training for post-related knowledge and operating skills.

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

X. FORMULATION AND IMPLEMENTATION OF THE CASH DIVIDENDS DISTRIBUTION POLICY OF THE COMPANY

1. Current cash dividends distribution policy and its implementation

On 28 December 2005, the Company convened the second extraordinary general meeting of 2005, at which the Proposal in Relation to Amendments to the Cash Dividends Distribution Policy of the Company was considered and approved. The cash dividends distributed every year should not be lower than 50% of the net profit recorded by the Company in the same year, and the amendment procedure is lawful and transparent. From 2005 to 2011, the Company strictly implemented the dividends distribution according to this policy.

The decision-making procedures and mechanism for the formulation and implementation of the Company's cash dividends distribution policy are complete, while the independent executives performed their duties with due diligence and played an effective role. This cash dividends distribution policy fully safeguarded the lawful rights of minority shareholders.

2. Explanation on the fact that cumulative retained profit as at the end of 2011 was positive without cash dividend being proposed.

The balance of the cumulative retained profit of the parent company as at the end of 2011 was RMB8,748 million.

The use of relevant undistributed capital retained by the Company: for the production and operation of the Company.

I. CORPORATE GOVERNANCE OF THE COMPANY

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

Following the implementation of the Code on Corporate Governance Practices (the “Code”) issued by the Hong Kong Stock Exchange under Appendix 14 of the Hong Kong Listing Rules, the Company has further improved its corporate governance pursuant to the Code. During the Reporting Period, the Company has complied with all provisions of the Code and most of the recommended best practices.

II. PROPOSALS FOR PROPOSED PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL OF THE COMPANY FOR THE INTERIM PERIOD

The Company would not make any profit distribution or transfer of reserve to share capital for the Reporting Period.

III. IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN

On 29 May 2012, the Company convened its 2011 annual general meeting in Anshan, at which the 2011 profit distribution plan was considered and approved. As the Company recorded a loss in 2011, pursuant to the PRC laws and regulations and the articles of association of the Company, the Company would not make allocation to surplus reserve nor distribute any profit or transfer reserve to share capital for year 2011. The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2012.

IV. MATERIAL LITIGATION AND ARBITRATION

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

V. MATERIAL ACQUISITION, SALE AND ASSETS RESTRUCTURING

During the Reporting Period, the Company had no material assets acquisition, sale and assets restructuring.

VI. MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY IN THE REPORTING PERIOD

Connected transactions in connection with daily operation

During the Reporting Period, the Group purchased most of its raw materials, energy and services necessary for production from Anshan Iron and Steel Group Corporation and its subsidiaries (“Angang Holding Group”) and Pangang Group Steel Vanadium & Titanium Co., Ltd., and its subsidiaries (“Pangang Vanadium & Titanium Group”), and sold some of its products to Angang Holding Group. The transactions and prices were conducted in accordance with the supply of raw materials and services agreements entered into between the parties.

VI. MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY IN THE REPORTING PERIOD *(CONTINUED)*

Connected transactions in connection with daily operation *(continued)*

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

Item	Pricing principle	Price <i>(RMB)</i>	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
Iron concentrate	Not higher than the average import price of domestic iron concentrate reported to the PRC Customs in the month (T-2) plus the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the trade of the iron concentrate which was based on the average weighted grade of the iron concentrate imported by the Company in the month (T-2). For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/tonne. A discount equal to 5% of the average import price of domestic iron concentrate reported to the PRC Customs in the month (T-2) was granted on such a basis. (T stands for the current month)	903/tonne	3,261	35.66
Pellet	Market price	996/tonne	2,680	100.00
Sinter ore	The price of iron concentrate plus processing cost in the month (T-2). (The processing cost of which is not higher than that of similar products produced by the Company)	979/tonne	1,458	100.00

VI. MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY IN THE REPORTING PERIOD *(CONTINUED)*

Connected transactions in connection with daily operation *(continued)*

1. Angang Holding Group provided the Group with the following major items: *(continued)*

Item	Pricing principle	Price	Amount	As a percentage of the amount of similar transactions
		<i>(RMB)</i>	<i>(RMB million)</i>	<i>(%)</i>
Scrap steel	Market price	—	145	61.34
Billets		—	114	98.93
Alloy and non-ferrous metals		—	50	3.51
Sub-total	—	—	7,708	51.20
Electricity	State price	0.55/kWh	882	32.68
Water	State price	3.25/tonne	37	32.42
Steam	Production cost plus a gross profit of 5%	43.31/GJ	22	100.00
Sub-total	—	—	941	33.19
Lime stone	Not higher than the selling prices quoted by the relevant member company of Angang Holding Group to the independent third parties	53/tonne	77	72.88
Lime powder		391/tonne	361	92.18
Refractory material		—	185	25.71
Other ancillary materials		—	72	7.85
Spare parts		—	190	15.31
Sub-total	—	—	885	26.25
Total	—	—	9,534	—

VI. MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY IN THE REPORTING PERIOD *(CONTINUED)*

Connected transactions in connection with daily operation *(continued)*

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

Item	Pricing principle	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
Railway transportation services	State price	310	54.92
Road transportation services	Market price	200	82.09
Agency services (import of raw materials, equipment, components and auxiliary materials, export, and domestic sales)	Commission not higher than 1.5% (not more than the commissions levied by major State import and export companies of China)	79	100.00
Repair and maintenance of equipment	Market price	544	72.77
Design and engineering services		710	59.12
Education facilities, vocational education, on-the-job training, translation work		1	19.62
Newspaper and other publications	State price	0	18.08

VI. MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY IN THE REPORTING PERIOD *(CONTINUED)*

Connected transactions in connection with daily operation *(continued)*

2. Angang Holding Group provided the Group with the following major services: *(continued)*

Item	Pricing principle	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
Telecommunication business and services, information system	State price or depreciation plus maintenance costs	12	78.26
Production coordination and maintenance	Expenses of labour, materials and management were paid based on market prices	592	75.96
Welfare assistance and maintenance		84	72.44
Company vehicle services	Market price	1	100.00
Environmental protection and security inspection services	State price	1	100.00
Charge for arrangement of business and meeting expenses	Market price	1	54.65
Greening services	Expenses of labour, materials and management were paid based on market prices	11	100.00
Security services		14	67.78
Total	—	2,560	67.62

Note: In which, for the six months ended 30 June 2012, the steel products provided by Angang Group International Trade Corporation as an agent for domestic sales and exports sales amounted to 2,950,000 tonnes and 760,000 tonnes respectively.

VI. MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY IN THE REPORTING PERIOD *(CONTINUED)*

Connected transactions in connection with daily operation *(continued)*

3. Angang Holding Group provided the Group with the following financial services:

Item	Pricing principle	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
Deposit interest	State price	5	27.21
Maximum balance of deposit (including accrued interests) on a daily basis	—	5,418	—
Loans	—	5,600	20.07
Loans and discounted interest	State Price	167	18.58
Entrusted loans	—	4,150	100.00
Entrusted loan interest	Not higher than the interest rate obtained by the Company from commercial banks during the same period	87	100.00

VI. MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY IN THE REPORTING PERIOD *(CONTINUED)*

Connected transactions in connection with daily operation *(continued)*

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

Item	Pricing principle	Price <i>(RMB)</i>	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>	
Cold-rolled sheets	The selling price charged by the Group to the independent third parties; for provision of aforesaid products for the development of new products for the other party, the price is based on the market price if the market price exists; if the market price is absent, the price is based on the principle of the cost plus a reasonable profit, while the reasonable profit rate is not higher than the average gross profit margin of related products provided by the relevant member company.	4,400/tonne	1,079	8.86	
Heavy plates		3,569/tonne	399	9.49	
Wire rods		3,622/tonne	66	3.46	
Heavy section		4,450/tonne	1	0.18	
Hot-rolled sheets		3,509/tonne	2,067	15.09	
Medium plates		3,612/tonne	76	8.64	
Galvanized steel sheets		4,073 /tonne	64	2.86	
Colour coated sheets		5,139/tonne	5	0.79	
Seamless pipes		3,887/tonne	15	1.93	
Molten iron		2,460/tonne	9	100.00	
Billets		3,582/tonne	4	15.20	
Coke		1,059/tonne	39	100.00	
Chemical by-products		—	207	19.31	
Sub-total		—	—	4,031	10.49
Scrap steel		Market price	—	65	99.74
Abandoned materials			—	4	56.90
Retired assets or idle assets	Market price or appraised price	—	26	100.00	
Sub-total	—	—	95	96.29	
Total	—	—	4,126	—	

VI. MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY IN THE REPORTING PERIOD *(CONTINUED)*

Connected transactions in connection with daily operation *(continued)*

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

Item	Pricing principle	Price <i>(RMB)</i>	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
New water	State price	2.94/tonne	21	97.73
Clean recycled water	Production cost plus a gross profit margin of 5%	0.74/tonne	10	99.98
Soft water		4.90/tonne	0.2	100.00
Gas		60.31/GJ	190	75.82
Blast furnace gas		4.00/GJ	14	100.00
Steam		47.50/GJ	21	98.22
Nitrogen		214.07/KM ³	1	21.85
Oxygen		413.78/KM ³	1	13.29
Argon		879.5/KM ³	0.3	3.95
Compressed air		106.1/KM ³	0.2	100.00
Used hot water		22.98/GJ	34	95.56
Product testing service		Market price	—	2
Transportation service	—		0.2	100.00
Total	—	—	294.9	38.24

VI. MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY IN THE REPORTING PERIOD *(CONTINUED)*

Connected transactions in connection with daily operation *(continued)*

6. Pangang Steel & Vanadium Provided the Group with the following raw materials:

Item	Pricing principle	Price <i>(RMB)</i>	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
Iron concentrate	Not higher than the average import price of domestic iron concentrate reported to the PRC Customs in the month (T-2) plus the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the trade of the iron concentrate which was based on the average weighted grade of the iron concentrate imported by The Company in the month (T-2). For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/tonne. A discount equal to 5% of the average import price of domestic iron concentrate reported to the PRC Customs in the month (T-2) was granted on such a basis. (T stands for the current month)	930/tonne	349	3.82
Alloy	Market price	—	26	1.83
Total		—	375	—

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

VII. CLAIMS AND OBLIGATIONS BETWEEN THE COMPANY AND RELATED PARTIES FOR NON-OPERATING PURPOSE

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

As at 30 June 2012, the Group's bank loans of RMB2,893 million was secured by Angang Holding Group.

VIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. The Company did not enter into material transactions, custody, contracting or lease arrangement in respect of the assets of other companies nor did other companies enter into any custody, contracting or lease arrangement in respect of the assets of the Company during the Reporting Period;
2. There was no material guarantee which involved the Company during the Reporting Period;
3. The Company did not entrust any party with the management of any of its assets during the Reporting Period;
4. The Company did not enter into any other material contracts during the Reporting Period;
5. The Company did not entrust any party for financial management during the Reporting Period.

IX. 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 the CSRC, we have faithfully and carefully reviewed and finalized the external guarantee of the Company and flow of funds between the Company and its related parties, and hereby make the following explanations:

- (1) During the Reporting Period, the Company did not provide any external guarantee to its controlling shareholders and other related parties, any legal person entities or individuals.
- (2) During the reporting period, none of the controlling shareholders and other related parties had occupied the Company’s capital.
- (3) In strict compliance with relevant regulations, the Company has clearly specified the relevant procedures and requirements concerning external guarantee in the Articles of Association of the Company. The Company also formulated Administrative Procedures of External Guarantee so as to strengthen the management of the external guarantee. The terms in the Articles of Association of the Company and Administrative Procedures of External Guarantee are in compliance with the requirements of the relevant domestic and foreign regulations.

X. UNDERTAKINGS

There were no undertakings in the Reporting Period.

XI. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2012, there was no re-purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries.

XII. SECURITIES TRANSACTIONS OF DIRECTORS

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

XIII. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

XIV. AUDIT COMMITTEE

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

The Audit Committee and the management personnel have reviewed the accounting standards, principles and methods adopted by the Company, and considered matters regarding auditing, internal control and the unaudited interim report for the six months ended 30 June 2012.

XV. EQUITY IN OTHER LISTED COMPANIES

Unit: RMB million

Stock Code	Stock abbreviation	Initial investment amount	Percentage in the company's equity	Book value at the end of the period	Loss or gain during the reporting period	Change in owner's equity during the reporting period
600961	Zhuzhou Smelter Group (株冶集團)	81	1.9%	96	0	3

XVI. PREPARATION OF FINANCIAL REPORT

According to the Consultation Conclusion on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong which was published by the Hong Kong Stock Exchange in December 2010, PRC incorporated companies listed on the Hong Kong Stock Exchange are allowed to prepare financial statements, for the purpose of fulfilling the financial reporting requirements of the Hong Kong Stock Exchange, in accordance with the Accounting Standards for Business Enterprises in the PRC.

It was approved by the shareholders of the Company as a special resolution at the annual general meeting on 29 May 2012 that certain articles of the Articles of Association of the Company be amended to the effect that the Company's financial statements should be prepared in accordance to the Accounting Standards for Business Enterprises in the PRC only. Therefore, the financial report of the Company for the Reporting Period is prepared in accordance with the Accounting Standards for Business Enterprises in the PRC only.

Consolidated Balance Sheet

Assets	Note	30 Jun 2012	31 Dec 2011
Current assets:			
Cash at banks and on hand	7(1)	2,596	2,341
Trading financial assets			
Notes receivable	7(2)	11,364	5,914
Account receivables	7(3)	2,516	1,879
Prepayments	7(5)	3,215	3,860
Interests receivable			
Other receivables	7(4)	64	34
Inventories	7(6)	12,763	14,242
Non-current assets due within 1 year			
Other current assets	7(7)	94	94
Total current assets		32,612	28,364
Non-current assets:			
Available-for-sale financial assets	7(8)	96	92
Long-term equity investments	7(9)	2,515	2,483
Investment properties			
Fixed assets	7(10)	52,526	53,566
Construction in progress	7(11)	9,063	9,136
Construction material	7(12)	61	132
Intangible assets	7(13)	6,746	6,824
Deferred income tax assets	7(14)	3,090	2,391
Other non-current assets			
Total non-current assets		74,097	74,624
Total assets		106,709	102,988

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Consolidated Balance Sheet (continued)

Liabilities and shareholders' equity	Note	30 Jun 2012	31 Dec 2011
Current liabilities:			
Short-term loans	7(17)	16,303	10,630
Notes payable	7(18)	9,406	5,565
Account payables	7(19)	5,341	4,687
Advances from customers	7(20)	4,191	4,396
Employee benefits payable	7(21)	332	318
Tax and surcharges payable	7(22)	(1,252)	(1,914)
Interest payables	7(23)	3	232
Other payables	7(24)	2,344	2,703
Non-current liabilities due within 1 year	7(25)	6,616	4,201
Other current liabilities	7(26)	3,010	6,005
Total current liabilities		46,294	36,823
Non-current liabilities:			
Long-term loans	7(27)	9,129	13,135
Deferred income tax liabilities	7(14)	40	39
Other non-current liabilities	7(28)	700	686
Total non-current liabilities		9,869	13,860
Total liabilities		56,163	50,683

Consolidated Balance Sheet (continued)

Liabilities and shareholders' equity (continued)	Note	30 Jun 2012	31 Dec 2011
Shareholders' equity:			
Share capital	7(29)	7,235	7,235
Capital reserve	7(30)	31,461	31,458
Special reserve	7(31)	65	47
Surplus reserves	7(32)	3,570	3,570
Undistributed profits	7(33)	6,465	8,441
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		48,796	50,751
Minority interests		1,750	1,554
Total shareholders' equity		50,546	52,305
Total liabilities and shareholders' equity		106,709	102,988

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

Consolidated Income Statement

Items	Note	6 months ended 30 Jun 2012	6 months ended 30 Jun 2011
1. Operating income		39,378	46,334
Including: Operating income from main business	7(34)	39,378	46,334
2. Operating costs		42,395	46,515
Including: Operating costs for main business	7(34)	38,325	42,723
Business tax and surcharges	7(35)	67	68
Marketing expenses	7(36)	658	753
Administrative expenses	7(37)	1,473	1,573
Financial expenses	7(38)	856	817
Impairment losses on assets	7(40)	1,016	581
Add: gains/losses from fair value variation			
Investment income	7(39)	201	231
Including: Income from investment in joint ventures and associates	7(39)	201	229
3. Operating profit		(2,816)	50
Add: Non-operating income	7(41)	50	106
Less: Non-operating expenses	7(42)	13	23
Including: Losses on non- current assets disposal	7(42)	13	22
4. Profit before income tax		(2,779)	133
Less: Income tax expenses	7(43)	(699)	(11)

Consolidated Income Statement *(continued)*

For the 6 months ended 30 June 2012
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Note	6 months ended 30 Jun 2012	6 months ended 30 Jun 2011
5. Net profit for the year		(2,080)	144
Net profit attributable to shareholders of parent company		(1,976)	220
Gains/losses attributable to minority shareholders		(104)	(76)
6. Earning per share			
(1) Basic earnings per share	7(44)	(0.273)	0.030
(2) Diluted earnings per share	7(44)	(0.273)	0.030
7. Other comprehensive income	7(45)	3	(8)
8. Total comprehensive income		(2,077)	136
Share of total comprehensive income attributable to shareholders of parent company		(1,973)	212
Share of total comprehensive income attributable to minority interest		(104)	(76)

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Consolidated Cash Flow Statement

Items	Note	6 months ended 30 Jun 2012	6 months ended 30 Jun 2011
1. Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		37,151	47,025
Refund of tax and fare		262	132
Other cash received from operating activities	7(46)	40	220
Sub-total of cash inflows		37,453	47,377
Cash paid for goods and services		33,516	41,101
Cash paid to and for the employees		1,284	1,341
Cash paid for all types of taxes		348	887
Other cash paid for operating activities	7(46)	585	590
Sub-total of cash outflows		35,733	43,919
Net cash flow from operating activities	7(47)	1,720	3,458
2. Cash flows from investing activities			
Cash received from return of investments			
Cash received from investment income		204	
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		1	2
Net cash received from disposal of subsidiaries and other operating units			
Other cash received from investment activities	7(46)	18	26
Sub-total of cash inflows		223	28
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		1,692	3,012
Cash paid for acquisition of investments		61	105
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities			
Sub-total of cash outflows		1,753	3,117
Net cash flow from investing activities		(1,530)	(3,089)

Consolidated Cash Flow Statement *(continued)*

For the 6 months ended 30 June 2012
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Note	6 months ended 30 Jun 2012	6 months ended 30 Jun 2011
3. Cash flows from financing activities			
Cash received from absorbing investments		300	
Including: received of subsidiary from minority shareholders		300	
Cash received from borrowings		38,161	14,391
Other cash received from financing activities			
Sub-total of cash inflows		38,461	14,391
Cash paid for settling of debts		37,091	14,045
Cash paid for distribution of dividends or profit and repayment of interests		1,305	1,863
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities	7(46)		74
Sub-total of cash outflows		38,396	15,982
Net cash inflow from financing activities		65	(1,591)
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
5. Net increase in cash and cash equivalents	7(47)	255	(1,222)
Add: Cash and cash equivalents brought forward	7(47)	2,341	3,651
6. Cash and cash equivalents carried forward	7(47)	2,596	2,429

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Consolidated Statement of changes in shareholders' equity

Items	2012								Total of shareholders' equity	
	Shareholders' equity attributable to shareholders of the parent company					Less:		Minority interests		
	Share capital	Capital reserve	treasury stock	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Others	
1. Balance as at 31 Dec 2010	7,235	31,458		47	3,570		8,441		1,554	52,305
Add: Changes of accounting policy										
Correction of prior year errors										
Others										
2. Balance as at 1 Jan. 2011	7,235	31,458		47	3,570		8,441		1,554	52,305
3. Increase/decrease in 2011										
("—" represents loss)		3		18			(1,976)		196	(1,759)
(1) Net profit							(1,976)		(104)	(2,080)
(2) Other comprehensive income		3								3
Subtotal of (1) and (2)		3					(1,976)		(104)	(2,077)
(3) Capital introduced or withdrawn by owners										
i. Capital introduced by owners									300	300
ii. Amount of shares-based payment recorded in owner's equity										
iii. Others										
(4) Profit distribution										
i. Transfer to surplus reserve										
ii. Transfer to general risk reserve										
iii. Distribution to shareholders										
iv. Others										
(5) Transfer within shareholder's equity										
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Others										
(6) Special reserve				18						18
i. Extracts of this year				19						19
ii. Usage of this year				(1)						(1)
4. Balance as at 31 Dec 2011	7,235	31,461		65	3,570		6,465		1,750	50,546

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Consolidated Statement of changes in shareholders' equity (continued)

As at 30 June 2012
 Prepared by: Angang Steel Company Limited
 Monetary unit: RMB million

Items	2011								Total of shareholders' equity	
	Shareholders' equity attributable to shareholders of the parent company					General		Others		Minority interests
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	risk reserve	Undistributed profit			
1. Balance as at 31 Dec 2009	7,235	31,521		70	3,570		11,672		1,277	55,345
Add: Changes of accounting policy										
Correction of prior year errors										
Others										
2. Balance as at 1 Jan. 2010	7,235	31,521		70	3,570		11,672		1,277	55,345
3. Increase/decrease in 2010("—" represents loss)		(63)		(23)			(3,231)		277	(3,040)
(1) Net profit							(2,146)		(186)	(2,332)
(2) Other comprehensive income		(63)								(63)
Subtotal of (1) and (2)		(63)					(2,146)		(186)	(2,395)
(3) Capital introduced or withdrawn by owners									463	463
i. Capital introduced by owners									463	463
ii. Amount of shares-based payment recorded in owner's equity										
iii. Others										
(4) Profit distribution							(1,085)			(1,085)
i. Transfer to surplus reserve										
ii. Transfer to general risk reserve										
iii. Distribution to shareholders							(1,085)			(1,085)
iv. Others										
(5) Transfer within shareholder's equity										
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Others										
(6) Special reserve				(23)						(23)
i. Extracts of this year				33						33
ii. Usage of this year				(56)						(56)
4. Balance as at 31 Dec 2010	7,235	31,458		47	3,570		8,441		1,554	52,305

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Assets	<i>Note</i>	30 Jun 2012	31 Dec 2011
Current assets:			
Cash at banks and on hand		1,312	1,183
Trading financial assets			
Notes receivable		11,241	5,719
Account receivables	15(1)	2,518	1,924
Prepayments		2,404	3,176
Interests receivable			
Dividends receivable			
Other receivables	15(2)	62	34
Inventories		11,824	13,120
Non-current assets due within 1 year			
Other current assets		94	94
Total current assets		29,455	25,250
Non-current assets:			
Available-for-sale financial assets		96	92
Long-term equity investments	15(3)	5,786	5,754
Fixed assets		49,413	50,337
Construction in progress		4,452	5,037
Construction materials		46	116
Intangible assets		6,229	6,305
Deferred income tax assets		2,651	2,014
Other non-current assets			
Total non-current assets		68,673	69,655
Total assets		98,128	94,905

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Balance Sheet (continued)

Liabilities and shareholders' equity	<i>Note</i>	30 Jun 2012	31 Dec 2011
Current liabilities:			
Short-term loans		13,830	9,250
Notes payable		8,233	4,810
Account payables		4,940	3,900
Advances from customers		3,942	3,755
Employee benefits payable		332	318
Tax and surcharges payable		(813)	(1,496)
Interests payables		3	232
Other payables		1,923	2,271
Non-current liabilities due within 1 year		4,991	3,481
Other current liabilities		3,010	6,005
Total current liabilities		40,391	32,526
Non-current liabilities:			
Long-term loans		7,754	10,645
Deferred income tax liabilities		30	29
Other non-current liabilities		662	647
Total non-current liabilities		8,446	11,321
Total liabilities		48,837	43,847
Shareholders' equity:			
Share capital		7,235	7,235
Capital reserve		31,461	31,458
Special reserve		65	47
Surplus reserves		3,570	3,570
Undistributed profits		6,960	8,748
Total shareholders' equity		49,291	51,058
Total liabilities and shareholders' equity		98,128	94,905

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Income Statement

Items	Note	6 months ended 30 Jun 2012	6 months ended 30 Jun 2011
1. Operating income	15(4)	38,421	45,338
Less: Operating costs for main business	15(4)	37,196	41,655
Business tax and surcharges		67	68
Marketing expenses		633	721
Administrative expenses		1,400	1,542
Financial expenses		776	728
Impairment losses on assets		1,012	581
Add: gains/losses from fair value variation			
Investment income	15(5)	201	231
Including: Income from investment in jointly ventures and associates		201	229
2. Operating profit		(2,462)	274
Add: Non-operating income		50	106
Less: Non-operating expenses		13	23
Including: Losses on non-current assets disposal		13	22
3. Profit before income tax		(2,425)	357
Less: Income tax expenses		(637)	35
4. Net profit for the year		(1,788)	322
5. Other comprehensive income		3	(8)
6. Total comprehensive income		(1,785)	314

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Cash Flow Statement

For the 6 months ended 30 June 2012
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Note	6 months ended 30 Jun 2012	6 months ended 30 Jun 2011
1. Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		36,133	45,013
Refund of tax and fare		262	132
Other cash received from operating activities		38	219
Sub-total of cash inflows		36,433	45,364
Cash paid for goods and services		32,161	39,020
Cash paid to and for employees		1,243	1,311
Cash paid for all types of taxes		340	878
Other cash paid for operating activities		569	583
Sub-total of cash outflows		34,313	41,792
Net cash flow from operating activities	15(6)	2,120	3,572
2. Cash flows from investing activities			
Cash received from return of investments		204	
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		1	2
Net cash received from the disposal of subsidiaries and other operating units			
Other cash received from investment activities		6	18
Sub-total of cash inflows		211	20
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		1,208	2,385
Cash paid for acquisition of investments		61	533
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities			
Sub-total of cash outflows		1,269	2,918
Net cash flow from investing activities		(1,058)	(2,898)

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Cash Flow Statement (continued)

Items	Note	6 months ended 30 Jun 2012	6 months ended 30 Jun 2011
3. Cash flows from financing activities			
Cash received from absorbing investments			
Cash received from borrowings		35,668	12,746
Other cash received from financing activities			
Sub-total of cash inflows		35,668	12,746
Cash paid for settling of debts		35,480	12,840
Cash paid for distribution of dividends or profit and repayment of interests		1,121	1,712
Other cash paid for financing activities			72
Sub-total of cash outflows		36,601	14,624
Net cash inflow from financing activities		(933)	(1,878)
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
5. Net increase in cash and cash equivalents	15(6)	129	(1,204)
Add: Cash and cash equivalents brought forward	15(6)	1,183	2,542
6. Cash and cash equivalents carried forward	15(6)	1,312	1,338

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Statement of changes in shareholders' equity

As at 30 June 2012
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	2012							
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total of shareholders' equity
1. Balance as at 31 Dec 2010	7,235	31,458		47	3,570		8,748	51,058
Add: Changes of accounting policy								
Correction of prior year errors								
Others								
2. Balance as at 1 Jan. 2011	7,235	31,458		47	3,570		8,748	51,058
3. Increase/decrease in 2011 ("—" represents loss)		3		18			(1,788)	(1,767)
(1) Net profit							(1,788)	(1,788)
(2) Other comprehensive income		3						3
Subtotal of (1) and (2)		3					(1,788)	(1,785)
(3) Capital introduced or withdrawn by owners								
i. Capital introduced by owners								
ii. Amount of shares-based payment recorded in owner's equity								
iii. Others								
(4) Profit distribution								
i. Transfer to surplus reserve								
ii. Transfer to general risk reserve								
iii. Distribution to shareholders								
iv. Others								

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Statement of changes in shareholders' equity (continued)

Items	2012							Total of shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	
(5) Transfer within shareholder's equity								
i. Transfer from capital reserve to share capital								
ii. Transfer from surplus reserve to share capital								
iii. Making up losses with surplus reserve								
iv. Others								
(6) Special reserve				18				18
i. Extracts of this year				19				19
ii. Usage of this year				(1)				(1)
4. Balance as at 31 Dec 2011	7,235	31,461		65	3,570		6,960	49,291

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Statement of changes in shareholders' equity (continued)

As at 30 June 2012
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Share capital	Capital reserve	2011				Undistributed profit	Total of shareholders' equity
			Less: treasury stock	Special reserve	Surplus reserve	General risk reserve		
1. Balance as at 31 Dec 2009	7,235	31,521		70	3,570		11,801	54,197
Add: Changes of accounting policy								
Correction of prior year errors								
Others								
2. Balance as at 1 Jan. 2010	7,235	31,521		70	3,570		11,801	54,197
3. Increase/decrease in 2010("—" represents loss)		(63)		(23)			(3,053)	(3,139)
(1) Net profit							(1,968)	(1,968)
(2) Other comprehensive income		(63)						(63)
Subtotal of (1) and (2)		(63)					(1,968)	(2,031)
(3) Capital introduced or withdrawn by owners								
i. Capital introduced by owners								
ii. Amount of shares-based payment recorded in owner's equity								
iii. Others								
(4) Profit distribution							(1,085)	(1,085)
i. Transfer to surplus reserve								
ii. Transfer to general risk reserve								
iii. Distribution to shareholders							(1,085)	(1,085)
iv. Others								

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Statement of changes in shareholders' equity (continued)

Items	2011							Total of shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	
(5) Transfer within shareholder's equity								
i. Transfer from capital reserve to share capital								
ii. Transfer from surplus reserve to share capital								
iii. Making up losses with surplus reserve								
iv. Others								
(6) Special reserve				(23)				(23)
i. Extracts of this year				33				33
ii. Usage of this year				(56)				(56)
4. Balance as at 31 Dec 2010	7,235	31,458		47	3,570		8,748	51,058

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Controller:
Ma Lianyong

Notes to the Financial Statements *(continued)*

1. COMPANY'S 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 the 1st January 1997, Angang Holding transferred the production, sales, research and development, administration activities of the Plants together with the relevant assets and liabilities as on 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 share convertible bonds in the PRC on 15 March 2000. The bonds reached its maturity on 14 March 2005. Total of 453,985,697 A shares of the company were transferred from the bonds.

1. COMPANY'S PROFILE (CONTINUED)

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 were 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.

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 on 27 August 2012

2. BASIS OF PREPARATION

The financial statements of the Group are prepared on the assumption of going concern principle based on the actual transactions and events, under the accounting standard for business enterprise enacted by the Ministry of Finance of PRC in February 2006 and 38 specific accounting standards, the followed application guidelines, interpretations and other related rules (“Enterprise Accounting Standards”), and the CSRC, “Public Offering of Securities of the Company Information Disclosure Rule No. 15 - Financial Report of the General Provisions”(2010 Amendment) the disclosure requirements.

According to the relevant provisions of the Enterprise Accounting Standards, the Group adopted an accrual accounting basis. Except for certain financial instruments, the financial statements are reported at historical cost. If assets are impaired, relevant provisions are made in accordance with relevant standards.

3. STATEMENT ON COMPLIANCE WITH THE ENTERPRISE ACCOUNTING STANDARDS

The Group declares that the Financial Report prepared by the Group is 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 30 June 2012, the results of operation, the cash flow of the Group for the 6 months ended that day. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of “Regulation on disclosure of information of public listed companies, No. 15: General Requirements for Financial Reports” revised by the CSRC in 2011.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting year

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

(2) Functional currency

The functional currency is the currency of the primary economic environment in which the Group operated. The Group chooses RMB as its functional currency.

The Group chooses RMB as functional currency to prepare financial statements.

(3) Business combinations

Business combination refers to a transaction or event bringing together two or more separate entities into one reporting entity. 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

A business combination under the same control is a business combination in which all of the combining entities are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under the same control, the party which obtains control of the other combining entity on the combining date is the combining party, the other combining entity is the combined party. The “combining date” refers to the date on which the combining party actually obtains control on the combined party.

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

(3) Business combinations *(continued)*

- (a) The business combinations under the same control *(continued)*

The assets and liabilities that the combining party obtained in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. For the difference between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid (or the total par value of the shares issued), the capital reserve shall be adjusted. If the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost occurred for the business combination of the combining party shall be recorded into the profit and loss at the current period.

- (b) The business combinations not under the same control

A business combination not under the same control is a business combination in which the combining entities are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under the same control, the party which obtains the control on the other combining entity at the purchase date is the acquirer, and other combining entity is the acquiree. The “purchase date” refers to the date on which the acquirer actually obtains the control on the acquiree.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Business combinations (continued)

- (b) The business combinations not under the same control (continued)

For the business combinations not under the same control, the combination costs shall be the fair value, at the purchase 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. The direct cost for the business combination shall, including the expenses for audit, legal services, valuation and other administrative expenses be recorded into the profit and loss at the current period. The transaction expenses of the issued equity securities or liability securities for the consideration shall be recorded into the amount of initial measurement of the equity securities or liability securities.

If the adjustment of the combination cost is likely to occur and can be reliably measured contingent consideration shall be recognized and its subsequent measurements effect goodwill. The relevant contingent consideration shall be recorded into the combination costs at its fair values at the purchase date, The goodwill shall be adjusted if the new or further evidences of the existing situation at the purchase date arises resulting adjustment to contingent considerations within 12 months from the purchase date.

Notes to the Financial Statements *(continued)*

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

(3) Business combinations *(continued)*

- (b) The business combinations not under the same control *(continued)*

The combination of acquirer and the identifiable net assets shall be measured at their fair values on the purchase date. If the combination costs exceeds 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 review 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 as profit of the current period.

(4) Preparation methods for consolidated financial statements

- (a) Recognition principle of the scope of consolidation

The scope of consolidation of consolidated financial statements shall be ascertained on the basis of effective control. Control is the power to decide on the financial and operating policies of an entity so as to obtain benefits from all of the activities. The scope of consolidation includes the Company and its subsidiaries. Subsidiaries refer to enterprises or entities controlled by the Company.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(4) Preparation methods for consolidated financial statements

(b) Preparation of consolidated financial statements

From the date on which the company acquires the control on the net assets and the decision-making of the production and management of the subsidiaries, the Company begins to incorporate them into the scope of consolidation; from the date on which the company loses the effective control, the company stops to incorporate them into the consolidation scope. For the disposed subsidiary, operating results and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; for the disposed subsidiary during the reporting period, the opening balances of the consolidated balance sheet shall not be adjusted. For the subsidiary acquired from business combinations not under the same control, its operating results and cash flows after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statements, and the opening balances of the consolidated financial statements and comparative figures shall not be adjusted. For the subsidiary acquired from business combinations under the same control, its operating results and cash flows from the beginning to the end of the reporting period in which combinations take place have been properly included in the consolidated income statement and consolidated cash flow statements, and the comparative figures of the consolidated financial statements adjusted simultaneously.

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 accounting policy or accounting period of each subsidiary is different from that of the Company, the financial statements of subsidiaries shall be adjusted to comply with the accounting policy and accounting period of the Company. For the subsidiary obtained from the business combinations not under the same control, its financial statements shall be adjusted based on the fair value of identifiable net assets at the acquisition date.

All significant balances of the amounts receivables or payables, transactions and unrealized profits of the intragroup shall be eliminated when preparing the consolidated financial statements.

The portion of the subsidiary's equity and net profits that are not attributable to the Company shall be presented as "Minority Interest" on the consolidated financial statements under the owners' equity and the net profits respectively. Subsidiary's net profit or loss for the period attributable to minority interest shall be presented in the consolidated income statement below the "net profits" as "Minority Interests". When the amounts of the loss for the current period attributable to minority's shareholders of subsidiary exceed the Minority shareholders' portion of the opening owners' equity in the subsidiary, the excess shall offset the minority interest.

(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) highly liquidable investments that are readily convertible to known amounts of cash, subject to little risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Foreign currency transactions and the translation of foreign currency financial statement

(a) Foreign currency transactions

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

(b) Translation of financial statements listed in foreign currency

Monetary items denominated in foreign currency are translated into RMB at the spot rate at the balance sheet date, the arising difference shall be recorded into the profit and loss at the current period, except:

- (1) Arising from foreign currency borrowings for the purchase and construction or production of qualified assets shall be subject to the Accounting Standards for Business Enterprises No. 17 - Borrowing Costs;
- (2) The profit and loss arising from the change in the carrying amount other than amortized cost of an available-for-sale monetary item shall be recognized directly in the other comprehensive income.

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

(6) Foreign currency transactions and the translation of foreign currency financial statement *(continued)*

- (b) Translation of financial statements listed in foreign currency *(continued)*

The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate at 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 at the date of fair value evaluation, and the translation difference, treated as the variation of fair value (include the variation of exchange rate), shall be recorded into the profit and loss at the current period or other comprehensive income and included into the capital reserve.

(7) Financial instruments

- (a) The method for determining the fair value of financial assets and liabilities

The fair value refers to the amount, at which assets could be exchanged or liabilities could be settled between knowledgeable and willing parties in current situation. For those there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market refer to the prices, which are easily available from the stock exchanges, brokers, industry associations, pricing service institutions and etc., and represent the actual dealing prices under fair conditions. Where there is no active market for a financial instrument, the Group shall adopt value appraisal techniques to determine its fair value. The result obtained by adopting value appraisal techniques shall be able to reflect the dealing prices that may be adopted in fair transaction on that day. These techniques mainly include referring to prices that are adopted by knowledgeable and willing parties in current transaction, referring to fair value of other instruments with the same substantive nature, the cash flow discounting method and the option pricing model, etc.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Financial instruments (continued)

(b) Classification of financial assets, recognition and measurement

Conventionally traded financial assets, shall be recognized and de-recognized at the trading date. Financial assets shall be classified into the following four categories for initial recognition: the financial assets at fair value through profit or loss, hold-to-maturity financial assets, loans and the account receivables, and financial assets available for sale. Financial assets shall be initially measured at their fair values. For the financial assets at fair value through profit or loss, the transaction expenses thereof shall be directly recorded into the profit and loss of the current period; for other categories of financial assets, the transaction expenses thereof shall be included into the initially recognized amount.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Financial instruments (continued)

(b) Classification of financial assets, recognition and measurement (continued)

(i) Financial assets measured at fair value through profit and loss

Including trading financial assets and those designated into this category.

The financial assets meeting any of the following requirements shall be classified as trading financial assets:

- (1) The purpose of acquiring the said financial assets is mainly for selling them in the near future;
- (2) Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the enterprise may manage the combination to gain short-term profit;
- (3) Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Financial instruments (continued)

- (b) Classification of financial assets, recognition and measurement (continued)
 - (i) Financial assets measured at fair value through profit and loss (continued)

The financial assets meeting any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities at its fair value through profit or loss:

- (1) The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;
- (2) The official written documents on risk management or investment strategies of the Group have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel.

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

(7) Financial instruments *(continued)*

(b) Classification of financial assets, recognition and measurement *(continued)*

(i) Financial assets measured at fair value through profit and loss *(continued)*

The financial assets measured at fair values through profit or loss shall be subsequently measured at their fair values, with the gains or losses from variations of such financial assets, related dividends and interest income shall be included in the current profit and loss.

(ii) Hold-to-maturity investments

This refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount to be received, which the enterprise has the purpose and the ability to hold until its maturity.

Investments held to maturity shall be measured at amortized costs by adopting the effective interest rate method, the gains or losses arising from de-recognition, and impairment or amortization shall be included in the current profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Financial instruments (continued)

(b) Classification of financial assets, recognition and measurement (continued)

(ii) Hold-to-maturity investments (continued)

The effective interest rate method refers to the method to calculate the amortized costs and the interest incomes or interest expenses at each end of period using effective interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The effective interest rate refers to the interest rate adopted in discounting the future cash flow generated by a financial asset or financial liability within the predicted term of existence or a shorter applicable term into the current carrying amount of the financial asset or financial liability.

To determine the effective interest rate, the future cash flow shall be predicted, taking all the contractual provisions concerning the financial asset or financial liability into account, excluding the future credit losses. The various fee charged, trading expenses, premiums or discounts, etc., paid or received by the parties to a financial asset or financial liability contract, which form a part of the effective interest rate, shall be taken into account in the determination of the effective interest rate.

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

(7) Financial instruments *(continued)*

(b) Classification of financial assets, recognition and measurement *(continued)*

(iii) Loans and the account receivables

Loans and account receivables refer to the non-derivative financial assets without quoted price in the active market, of which the amount receivable is fixed or determinable. The Group's financial assets classified as loans and receivables include notes receivable, account receivables, interest receivable, dividends receivable and other receivables.

Loans and account receivables shall be measured at amortized costs using effective interest rate method. The gains or losses arising from de-recognition, impairment or amortization shall be included in the current profit or loss.

(iv) Financial assets available for sale

This refers to the non-derivative financial assets which are designated as available-for-sale at initial recognition as well as the financial assets other than loans and account receivables; hold-to-maturity investments and financial assets at fair values through profit or loss.

Financial assets available for sale shall be measured at fair value. The profit and loss arising from the changes in the fair value shall be included directly in the owner's equity with the exception of impairment losses and the foreign exchange gain or loss arising from amortized cost of monetary financial assets being recognized in profit or loss. The amount accumulated in the equity shall be transferred to profit or loss at de-recognition.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Financial instruments (continued)

(b) Classification of financial assets, recognition and measurement (continued)

(iv) Financial assets available for sale (continued)

The interests and the cash dividends announced by the investee shall be recorded into the profit and loss of the current period

(c) Impairment of financial assets

For those not measured at fair value through profit or loss, the Group would perform a review on the carrying amount of each. Where there is any objective evidence of impairment, an impairment provision shall be made.

An impairment test shall be made on the financial assets with significant single amounts. With regard to the financial assets with insignificant single amounts, a single impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk features to be test together. Where, upon single test, the financial asset (including those with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features to be tested together. The financial assets which have suffered from an impairment loss in any single amount shall not be included in any combination of financial assets with similar risk features for any impairment test.

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

(7) Financial instruments *(continued)*

(c) Impairment of financial assets *(continued)*

- (i) Impairment of held to maturity investments, loans and receivables

Where a financial asset measured at amortized costs is impaired, the carrying amount of the said financial asset shall be written down to the present value of the predicted future cash flow. The amount written down shall be recognized as impairment loss and be recognized in the profit and loss of the current period. For impaired financial assets, if there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment losses originally recognized shall be reversed and be recorded into the profit and loss of the current period. However, the reversed carrying amount shall not exceed the amortized costs of the said financial asset at the date of reversal if no impairment is made.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Financial instruments (continued)

(c) Impairment of financial assets (continued)

(ii) Impairment of available-for-sale financial asset

Where such financial asset is impaired, the accumulative losses arising from the decrease of the fair value in the capital reserve shall be transferred to the profit and loss of the current period. The accumulative losses that are transferred out shall be the balance of initial acquisition costs of the said financial asset after deducting the principals withdrawn, the current fair value and the remaining value after deducting impairment loss originally recognized in the profit and loss.

After impairment loss is made, if there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment originally recognized shall be reversed.

As for the available-for-sale debt instruments, the originally recognized impairment losses shall be restored into the profit and loss of the current period. As for the available-for-sale equity instruments the originally recognized impairment losses shall be restored into the other comprehensive income. The impairment loss of equity instrument without quoted price in the active market, and whose fair value cannot be reliably measured, or that of a derivative financial asset derived from the said equity instrument, which shall be settled by delivering the said equity instrument, may not be reversed.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Financial instruments (continued)

- (d) Recognition and measurement for transfer of financial assets

If financial assets meet any following conditions, financial assets shall be derecognized:

- (1) The right of receiving the cash flow of the financial asset is eliminated;
- (2) The financial asset as well as nearly all of the risks and rewards related to the ownership of it has been transferred to another party;
- (3) The financial asset has been transferred to another party, although the Group does not transfer or retain nearly all of the risks and rewards related to the ownership of it, the Group has given up its control over it.

Where the Group does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, nor give up its control over it, it shall, to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and the relevant liability accordingly. The extent of continuous involvement in the transferred financial asset refers to the risk level that the Group faces resulting from the changes of the value of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Financial instruments (continued)

- (d) Recognition and measurement for transfer of financial assets (continued)

If the transfer of an entire financial asset meets the conditions for de-recognition, the difference between the following 2 items shall be recorded into current profit and loss:

- i. The carrying value of the transferred financial asset;
- ii. The sum of consideration received, and the accumulative amount of variation in fair value previously recorded into the other comprehensive income.

If the partially transfer of financial asset satisfies the conditions for de-recognition, the entire carrying value of the transferred financial asset shall be apportioned to the derecognized part and the retained part according to their respective relative fair value. The difference between the following 2 items shall be recorded into the profit and loss of the current period:

- i. The carrying value of derecognized part;
- ii. The sum of consideration and the apportioned accumulative amount of variation in the fair value previously recorded into the other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Financial instruments (continued)

- (e) Classification and Measurement of financial liabilities

Financial liabilities shall be classified into the financial liabilities measured at their fair value through profit or loss and other financial liabilities for initial recognition:

The financial liabilities shall be initially measured at their fair values. For financial liabilities measured at their fair values through profit or loss, the transaction expenses thereof shall be directly recorded into the profit and loss of the current period. For other financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

- (i) The financial liabilities measured at their fair value through profit or loss.

The classification conditions of transactional financial liabilities and the designated financial liabilities at their fair values through profit or loss is the same as that of transactional financial asset and the designated financial asset at their fair values through profit or loss.

The financial liability at fair value through profit or loss shall be subsequently measured at fair value. The changes in the fair value, the interest or cash dividend received in the period are recognized into the profit and loss of the current period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Financial instruments (continued)

(e) Classification and Measurement of financial liabilities (continued)

(ii) Other financial liabilities

The derivative financial liabilities, derived from equity instrument without quoted price in an active market and whose fair value could not be reliably measured, which shall be settled by delivering such equity instrument, shall be measured at costs. Other financial liability shall be subsequently measured at amortized cost by using effective rate method. The profit or loss that arises at de-recognition and amortization shall be recorded into the profit and loss of the current period.

(f) De-recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the financial liability be derecognized entirely or partly. When the Group (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities with a new financial liability, which is substantially different from the existing financial liability, the existing financial liability shall be derecognized, and the new financial liability shall be recognized.

When a financial liability is entirely or partially derecognized, the difference between the carrying amount derecognized and the considerations paid (including the non-monetary assets transferred out and the new financial liabilities engaged) shall be recorded in the profit and loss of the current period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(8) Account receivables

Account receivables include trade receivables and other trade receivables.

(a) Recognition of bad debt allowance

At the balance sheet date, The Group carries out an overall review 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 debtor; (ii) The debtor breaches any of the contract terms, for example, failing to pay or delaying the payment of interests or the principal, etc. (iii) The debtor will probably go bankruptcy or carry out debt restructure; (iv) Other objective evidences show that the account receivables have suffered impairment.

(b) Measurement of bad debt allowance

Where there is any objective evidence that the Group can hardly recover any of the account receivables under the original terms, the account receivables shall be subject to impairment test. The difference between the present value of the expected future cash flow of the assets and the carrying value shall be made as bad debt allowance. The reduced amount shall be recognized as impairment loss and recorded into current profits or losses.

(c) The Group categorizes account receivables above 30 million into account receivable with single significant amount; categorizes other receivables above 10 million into other receivables with single significant amount.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(8) Account receivables (continued)

- (d) Reversal of bad debt allowance

If evidences show that the value of receivables is recovered which is related to the event subsequent to the recognition of impairment loss, previously recognized impairment loss shall be reversed and recorded into current profit and loss. However, the carrying value after reversal shall not exceed the amortized cost as if no impairment losses have been made previously.

(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 outsourced materials etc.

- (b) Measurement of inventory received and dispatched

The inventories shall be initially measured at cost when purchasing, the cost of inventory consists of purchase price, processing cost and other costs.

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

(9) Inventories *(continued)*

- (c) Measurement of net realizable value of inventory and measurement of provision for impairment of inventories

The net realizable value refers to the selling price deducting the estimated cost of completion, estimated selling expense and relevant taxes in the daily business activities. The net realizable value of inventories shall be based on reliable evidence obtained, taking into consideration of the purpose of holding the inventories and the events after balance sheet date.

At balance sheet date, the inventories shall be measured at the lower of cost and net realizable value. At the balance sheet date, if the cost of inventories is higher than the net realizable value, a provision for impairment shall be made and recorded into the current profit and loss. Except the spare parts, impairment of inventories is calculated by individual item. The impairment of spare parts is calculated according to the actual situation and the management's estimation.

If the factors causing any write-down of the inventories disappeared, leading the net realizable value exceeds the carrying value, the amount write-down shall be reversed from the provision to the extent of provision previously made. The reversed amount shall be recorded into the current profit and loss.

- (d) The Group maintains a perpetual inventory system.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Inventories (continued)

- (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 profit and loss.

(10) Long-term equity investments

- (a) Initial Measurement

For the long-term equity investment formed by business combination under the same control, the initial cost shall, on the date of acquisition, be measured by the share of carrying value of the owner's equity of the acquired entity. For the long-term equity investment obtained by business combination not under the same control, on the date of combination, the initial cost shall be the sum of the assets transferred, the liabilities incurred or engaged and the equity securities issued by the acquirer in exchange for the control over the acquiree. The direct cost for the business combination incurred by the acquirer, including the expenses for audit, valuation, legal services and other administrative expenses, shall be recorded into the profit and loss at the current period. The transactional expenses of issued equity securities or liability securities as the consideration for the combination, shall be recorded into the amount of initial amount of the equity securities or liability securities.

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

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

(a) Initial Measurement *(continued)*

Except for long-term equity investment formed by business combination, the initial cost of other long-term equity investment shall be measured at the amount of actual cash paid, 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 related to the acquisition of the long-term equity investment, taxes and other necessary expenses.

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

A long-term equity investment , where there is no joint control or significant influence, and which has no quoted price in the active market and whose fair value cannot be reliably measured, shall be measured at cost. A long-term equity investment where there is joint control or significant influence o shall be accounted by applying equity method. A long-term equity investment where there is no control, joint control or significant influence, which has quoted price in the active market or whose fair value can be reliably measured, shall be accounted for as available-for-sale financial assets.

In addition, a long-term equity investment is accounted by using cost method if the Group is able to control the invested entity.

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)

i. The long-term equity investment stated by applying cost method

The long-term equity investment stated by applying cost method shall be measured at initial investment cost. Except those included in the consideration, the dividends or profits declared enjoyed by the investor shall be recognized as the current investment income.

ii. The long-term equity investment stated by applying equity method

In equity method, if the initial cost of a long-term equity investment exceeds the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, the initial cost of the long-term equity investment may not be adjusted. Otherwise, the difference shall be recorded into the current profit and loss and the cost of the long-term equity investment shall be adjusted simultaneously.

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)*

ii. The long-term equity investment stated by applying equity method

In equity method, the investment profits or losses is recognized in accordance with the proportion of the net profits or losses of the invested entity attributable to the Group. The invested entity's profit or loss shall be adjusted on the ground of the fair value of all identifiable assets of the invested entity at acquisition date and adjusted to comply with the accounting policies and accounting periods adopted by the investor. All inter-Group unrealized profits with the joint controlled entities and associates which attributable to the Group shall be eliminated to arrive the investment income. However if the unrealized inter-Group loss constitutes impairment of the transferred assets under Accounting Standards for Enterprises No.6-Impairment of Assets, the losses shall not be adjusted. For other comprehensive income of the invested enterprise, the carrying value of the long-term equity investment shall be adjusted accordingly and be recorded into capital reserves

The investor shall recognize the net losses of the invested entity to the extent that the carrying value of the long-term equity investment and other long-term rights and interests which substantially constitute the net investment made to the invested entity are reduced to zero. Furthermore, if the investor has the obligation to reimburse extra losses, the extra obligation shall be recognized as provision and be recognized in investment loss. If the invested entity realizes any net profits in the subsequent periods, the investor shall not resume to recognize its attributable share of profits unless the unrecognized attributable share of loss has been restored.

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)*

iii. The acquisition of minority interest

For the preparation of the consolidated financial statements, the capital reserve shall be adjusted for the difference between the additional long-term equity investment due to acquiring minority interest and the increased percentage of the invested entity's net assets enjoyed by the investor, which are measured in a continuous manner since the acquisition date. If the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

iv. Disposal of a long-term equity investment

In the consolidated financial statements, when the parent Group disposes part of the investment in subsidiary without losing control, the difference between the disposal proceed and the net asset disposed shall be recognized in equity. When the parent Group loses the control of subsidiary due to disposal, the relevant terms in Note. 4 (b) shall apply.

The disposal of long-term equity investment by other means, the difference between the book value of disposed investment and the proceeds shall be included in the current profit and loss. For investment under equity method, the other comprehensive income originally recognized in the equity shall be transferred into profit and loss by the percentage disposed. The remaining investment shall be recognized as long-term equity investment or financial assets at its carrying value and be subsequently measured according to relevant accounting policy. If the accounting method for the remaining investment has been changed from the cost to equity method, financial statement shall be adjusted retrospectively according to relevant standards.

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

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

- (c) Measurement standard of joint control and significant influence

The term “control” refers to the power to determine the financial and operational policies of an entity and to obtain benefits from its operating activities. The term “joint control” refers to the control shared with other investors in accordance with the contracts or agreements over an economic activity, which shall not have existed unless all of the investors consent on the important financial and operational decisions related to the economic activity. The term “significant influences” refers to the ability to participate in making decisions on the financial and operational policies of an entity, however lacking the power to control or joint control with other parties over the formation of such policies. To conclude whether the investor is able to control or have significant influences on an invested entity, it shall be taken into account the influence of convertible corporate bonds and current executable share options held by the investors, as well as other potential factors affecting voting rights.

- (d) Method of impairment test and recognition of impairment

At the balance sheet date, the Group shall examine whether any factor exists that indicates the long-term equity investment has been impaired. If there is sign of impairment, the estimated recoverable amount shall be calculated. If the recoverable amount of the assets is lower than its carrying value, the difference shall be recognized as impairment loss in the profit and loss.

Once impairment is recognized, it could not be written back in the future accounting periods.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Fixed assets

(a) Recognition

Fixed assets represent the tangible assets held by the Group for producing goods, rendering service, renting and administrative purpose with useful lives over 1 year.

(b) Depreciation method of fixed assets

The initial measurement of fixed asset shall be made at its cost and the expected dismantle expenses shall be taken into consideration.

From the next month of bringing the fixed asset to the expected conditions for use, the fixed assets are depreciated using the straight-line method over their estimated useful life. The useful life, scrap value rates for each class of fixed assets are as follows:

Class of fixed assets	Useful life	Scrap value rate (%)
Plants and buildings	30 years	3-5
Machinery and equipment	10-15 years	3-5
Other fixed assets	5-10 years	3-5

The “scrap value” refers to the expected disposal proceeds of an asset less selling expense at the point the asset reaches its useful life.

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

(11) Fixed assets *(continued)*

- (c) Method for impairment test and recognition of impairment

Method of impairment test and measurement of provision of fixed assets, refer Note 15.

- (d) The recognition criteria and measurement of fixed assets through financial leases

The “finance lease” refers to a lease where, in substance, all the risks and rewards related to the ownership of an asset have been transfer to the lessee, the ownership of which may or may not be eventually transferred. A leased asset shall be depreciated in the same way as that of the comparative asset owned by the lessee. If it is reasonably 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. Otherwise, the leased asset shall be fully depreciated over the shorter of the lease term or its useful life.

- (e) Other explanations

The subsequent expenditure relating to a fixed asset shall be capitalized if the economic benefits related to the fixed asset are likely to flow into the Group and the cost could be measured reliably. The carrying value of the replaced parts shall be derecognized; otherwise, they shall be included in the current profit and loss.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Fixed assets (continued)

(e) Other explanations (continued)

If a fixed asset is disposed, transferred, discarded or destroyed, the Group shall recognize the disposal proceeds less carrying value and relevant taxes in the current profit and loss.

The Group reviews the useful life, scrap value and depreciation method of the fixed assets periodically. The changes are treated as changes in accounting estimates if necessary.

(12) Construction in progress

The cost of construction in progress shall be measured according to the actual expenditure for the construction in progress. The cost includes the expenditure for the construction project incurred during the construction period, capitalized borrowing costs before the project is ready for its intended use and other related costs. Construction in progress is transferred to fixed assets when it is ready for its intended use.

Method of impairment test and measurement of provision of construction in progress, refer Note 15.

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

(13) Borrowing costs

The borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange gain or loss on foreign currency borrowings. The borrowing costs directly attributable to the acquisition, construction or production of assets eligible for capitalization, shall start to be capitalized at the point of the latest of: the capital expenditure has already incurred, the borrowing costs has already incurred and The acquisition, construction or production activities necessary to bring the asset to its intended use or sale have already started. When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall cease. Other borrowing costs shall be recognized in the current profit and loss.

The interests of the special borrowings shall be capitalized after deducting the interests or investment income earned on the unused borrowings by depositing in the bank or making short term investment. The amount of interests on general borrowings to be capitalized shall be calculated by multiplying the weighted average of the accumulative capital expenditure exceeding the special borrowings by the capitalization rate of the general borrowings. The capitalization rate is the average rate of interest of general borrowings.

During the period of capitalization, the exchange gain or loss on foreign currency special borrowings shall be capitalized. The exchange gain or loss on foreign currency general borrowings shall be recorded into the current profit and loss.

The term “assets eligible for capitalization” refers to the fixed assets, investment properties, inventories and other assets, acquisition, construction or production of which may take quite a long time to bring to their intended use or sale.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) Borrowing costs (continued)

If the acquisition, construction or production of a qualified asset is interrupted abnormally for more than 3 months, the capitalization of the borrowing costs shall be suspended, till the acquisition, construction or production of the asset restarts.

(14) Intangible assets

(a) Intangible assets

The term “intangible asset” refers to the identifiable non-monetary assets possessed or controlled by the Group which have no physical form.

The intangible assets shall be initially measured at its cost. The subsequent expenditure relating to an intangible asset shall be included in the cost, if the economic benefits related to intangible assets are likely to flow into the Group and the cost can be reliably measured. Other expenditures for an intangible item shall be recorded into the profit or loss for the current period.

Land license is usually stated as intangible asset. For self-constructed plants and buildings, the expenditure on land license and the cost of constructions shall be stated as intangible assets and fixed assets respectively. For purchased plants and buildings, the relevant cost shall be allocated between the land license and plants; if it is impossible to be allocated, all the relevant cost shall be stated as fixed assets.

The original cost of an intangible asset with definite useful life shall be amortized from the point it is available for use in a straight line basis over its useful life after deducting expected scrap value and impairment provision. Intangible assets with indefinite useful life may not be amortized.

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

(14) Intangible assets *(continued)*

(a) Intangible assets *(continued)*

The Group shall, at least at the end of each financial year, review the useful life and the amortization method of intangible assets with definite useful life. Changes would be treated as changes in accounting estimates if necessary. In addition, the Group shall review the useful life of intangible assets with indefinite useful life. If there are evidences proving the period during which the intangible asset can bring economic benefits to the entity can be expected, the useful life shall be estimated, and the intangible assets shall be amortized accordingly.

(b) Expenditure on research and development

Expenditure on an internal research and development project are divided into expenditure on research phase and expenditure on development phase.

Research expenditure shall be recorded into current profits and loses while development expenditure may be capitalized as intangible assets if the Group can demonstrate the followings, otherwise it shall be recorded into current profits and loses:

- (i) The technical feasibility to complete the intangible asset and use or sale it;
- (ii) The intention to complete the intangible asset and use or sell it;
- (iii) How the intangible asset will generate probable future economic benefit. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the asset itself or, if it is to be used internally, the usefulness of the intangible asset;

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Intangible assets (continued)

- (b) Expenditure on research and development (continued)
 - (iv) The availability of adequate technical, financial and other resources to complete the development and use or sell the intangible asset;
 - (v) Its ability to reliably measure the expenditure attributable to the intangible asset during its development.

If it is difficult to separate into research phase and development phase, the expenditure shall be recorded into current profits and losses.

- (c) Method of impairment testing and measurement of impairment provision

Method of impairment testing and measurement of impairment provision of intangible assets, refer Note 15.

(15) Impairment of non-financial non-current assets.

Non-financial non-current assets such as fixed assets, construction in progress, intangible assets with definite useful life, investment properties at cost model, long-term equity investments in subsidiaries, joint ventures and associations shall be examined, on the balance sheet date, to ensure whether there is any evidence of possible impairment of the assets. If there is evidence shows that the assets have been impaired, the recoverable amount of the assets shall be estimated and an impairment test shall be carried out. Even if there is no sign of impairment of asset, goodwill formed by business combination and intangible assets with indefinite useful life shall be subject to impairment test every year.

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

(15) Impairment of non-financial non-current assets. *(continued)*

If the recoverable amount of an asset is lower than its carrying value, the deference shall be recognized as impairment loss and a provision shall be made accordingly. The recoverable amount is the higher of fair value of the asset less disposal expense and the present value of expected future cash flow of the asset. The fair value of an asset is determined according to the price stipulated in a selling contract in a fair transaction. If there is no selling contract but an active market exists, the fair value of an asset shall be determined according to the price the buyer of the asset would pay. If there is no selling contract or active market, the fair value of an asset shall be estimated based on best information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, transport expense as well as the direct expenses to bring the assets into a sellable state. The present value of expected future cash flow of an asset shall be determined by discounting cash flow generated by continuous use and final disposal of the asset with an appropriate discount rate. Provision for impairment shall be determined on the basis of single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of an asset Group to which the asset belongs shall be estimated. The term "asset Group" refers to the smallest of Group of assets that can generate cash flow independently.

Once impairment loss is recognized, it shall not be written back in future accounting periods.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(16) Provisions

Obligations arising from contingent events shall be recognized as provisions provided that:

- (i) The Group has a present obligation as a result of past event; (ii) It is probable that an outflow of resource embodying economic benefit will be required to settle the obligation and; (iii) A reliable estimation can be made on the amount of the obligation.

Provision shall be initially measured at the best estimate of necessary expenditure for the settlement of the current obligation at the balance sheet date, taking into account the risk, uncertainty, time value of money, and other factors related to the contingencies.

If all or some of the expenditure necessary for the settlement of a provision is expected to be reimbursed by a third party, the reimbursement shall be separately recognized as an asset when and only when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(17) Revenue

- (a) Revenue from sale of 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; (ii) The Group retains neither continuing managerial involvement to the degree that usually associated with the ownership nor effective control over the goods sold; (iii) The amount of revenue can be measured reliably; (iv) It is probable that economic benefit will flow into the Group; (v) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

- (b) Revenue from rendering of services

If the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services 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 as percentage of total services to be performed.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(17) Revenue (continued)

(b) Revenue from rendering of services (continued)

The outcome of a transaction of rendering services can be measured reliable provided:

- (i) The amount of revenue can be measured reliably;
- (ii) The relevant economic benefits are likely to flow into the entity;
- (iii) The percentage of completion can be measured reliably;
- (iv) The costs incurred or to be incurred in the transaction can be measured reliably.

If the outcome of a transaction of rendering services cannot be estimated reliably, revenue is recognized to the extent that the costs incurred can be recovered in the current profit and loss; and the costs incurred shall be recognized as current expenses. If the costs incurred are not expected to be recoverable, no service revenue is recognized.

A contract or agreement signed between entities concerns selling goods and rendering services shall be separated and accounted respectively, provided that the part of selling goods and the part of rendering services can be distinguished from each other and measured respectively. Otherwise, both parts shall be accounted for as sale of goods.

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

(17) Revenue *(continued)*

(c) Royalty revenue

The amount of royalty revenue shall be measured on an accrual basis under relevant contract or agreement.

(d) Interest revenue

The amount of interest revenue shall be measured in accordance with the period of time during which the Group's cash is occupied by others and the effective interest rate.

(18) Government grant

Government grant consists of the government grant on assets and government grant on revenue.

If government grant is in the form of transferring of monetary asset, it is measured at the amount received or to be received. If a government grant is in the form of transferring of 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. The government grant measured at nominal amount shall be recognized directly in the current profit and loss.

Government grant on asset is recognized initially as deferred income and amortized into profit and 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 and loss in the periods in which the expenses are recognized. A grant that compensates the Group for expenses incurred is recognized in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(18) Government grant (continued)

If recognized government grant is to be repaid, the repayment of government grant shall be applied first against the unamortized deferred income. The excess shall be recognized immediately in profit and loss. If no deferred income exists, it shall be recognized immediately in the current profit and loss.

(19) Deferred income tax asset and liability

(a) Income tax

On the balance sheet day, the current income tax liability (or asset) incurred in the current period or prior periods shall be measured at expected payable (refundable) amount of income tax according to the tax law. Current income tax shall be calculated based on the taxable income of the Group, which is arrived by adjusting accounting profit before tax for the year under tax law.

(b) Deferred income tax asset and liability

When there is difference (temporary difference) between the carrying value of the assets or liabilities and the tax base, or temporary difference of items that is not recognized as assets or liabilities but have a tax base according to tax law, deferred income tax asset or liability shall be calculated by using balance sheet approach.

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

(19) Deferred income tax asset and liability *(continued)*

(b) Deferred income tax asset and liability *(continued)*

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 initial recognition of goodwill;
- ii. The initial recognition of assets or liabilities arising from the following transactions:
 - (i) The transaction is not a business combination and;
 - (ii) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible amount) be affected.

In addition, deferred tax liabilities shall not be recognized on the taxable temporary differences related to the investments of subsidiaries, associates and joint ventures provided that: (i) The investing entity can control the time of the reversal of temporary differences;

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(19) Deferred income tax asset and liability (continued)

(b) Deferred income tax asset and liability (continued)

ii. The initial recognition of assets or liabilities arising from the following transactions: (continued)

(ii) The temporary differences are unlikely to be reversed in the expected future. The Group shall recognize the deferred tax assets arising from deductible temporary differences to the extent that the deductible temporary differences can be utilized against future taxable income. However, the deferred tax assets arising from the initial recognition of assets or liabilities during the following transaction shall not be recognized:

(i) This transaction is not a business combination and;

(ii) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible amount) be affected.

Deferred tax assets shall not be recognized on the deductible temporary differences related to the investments of subsidiaries, associates and joint ventures, provided that:

(i) The temporary differences are not probable to be reversed in the expected future;

(ii) It is not probable to acquire sufficient taxable income against which the deductible temporary differences can be offset.

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

(19) Deferred income tax asset and liability *(continued)*

(b) Deferred income tax asset and liability *(continued)*

As for deductible loss or tax deduction that can be carried forward, the corresponding deferred tax assets shall be determined to the extent that the amount of future taxable income can be offset by the deductible loss or tax deduction.

On the balance sheet day, the deferred tax assets and liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

The carrying value of deferred tax assets shall be reviewed on the balance sheet day. If it is unlikely that the Group can obtain sufficient taxable income taxes to offset the benefit of the deferred tax assets, the carrying value of the deferred tax assets shall be written down. When it is probable that the Group can obtain sufficient taxable income, the amount written down previously shall be subsequently reversed.

(c) Income tax expenses

The income tax expenses include current income tax expense and deferred income tax expense.

The current income tax and deferred income tax, associated with the transaction reported in other comprehensive income or shareholder's equity, shall be recognized in other comprehensive income or shareholder's equity. The deferred tax arising from business combination shall adjust goodwill. Other income taxes and deferred taxes are recorded into current profit and loss.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(20) Leases

The “financial lease” shall refer to a lease where in substance all the risks and rewards related to the ownership of an asset have been transferred, the ownership of which may or may not eventually be transferred. The term “operating lease” shall refer to a lease other than a financial lease.

(a) Operating leases as a lessee

The rental for operating leases shall be recorded by the lessee in the relevant asset costs or the profit and loss of the current period in a straight-line approach over the period of the lease term. The initial direct costs incurred by the lessee shall be recognized in the profit and loss of the current period. The contingent rentals shall be recorded into the profit and loss in the period when they actually occur.

(b) Operating leases as a lessor

The rental received from operating leases shall be recorded in the profit and loss of the current period in a straight-line approach over the period of the lease term. The initial direct costs incurred to the lessor shall be recorded into the profit and loss of the current period. The contingent rentals shall be recorded into the profit and loss in the period when they actually occur.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(20) Leases (continued)

(c) Financial leases as a lessee

At the start date of the lease, the lessee shall recognize the leased asset at the lower of the fair value and the present value of the minimum lease payments, recognize a long term liability at the amount of the minimum lease payments. The balance between the carrying value of the leased asset and the long term liability shall be recognized as unrecognized financing cost. In addition, the direct attributable costs associated with the negotiation and signing of the lease contract are also included in the initial costs of the leased asset. Minimum lease payments net of unrecognized financing costs shall be disclosed separately between liability due within one year and liability due in more than one year.

The lessee shall adopt the effective interest rate method to calculate and recognize the financing costs in the current period. The contingent rentals shall be recorded into the profit and loss in the periods when they actually occur.

(d) Financial leasing as a lessor

At the start date of the lease, the lessor shall recognize the sum of the minimum lease receipts plus the initial direct costs in the financing lease receivables, as well as the unguaranteed residual value. The balance between the sum of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present value shall be recognized as unrecognized financing income. Financial lease receivables net of unrecognized financing income shall be disclosed separately between the receivables due within one year and receivable due in more than one year.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(20) Leases (continued)

(d) Financial leasing as a lessor (continued)

The lessor shall calculate the financing income at the current period by adopting the effective interest rate method. The contingent rentals shall be recorded into the profit and loss in the period when they actually occur.

(21) Employee benefits

The Group shall recognize the employee benefit payable as liabilities in the accounting period for the service provided by employees.

The Group is required to participate in the workers social security system set up by the government, including pensions, medical insurance, housing fund and other social security systems. The corresponding expenditures are included in the cost of related assets or the profit and loss when they occur.

The Group shall recognize the termination benefits as a liability and reported in the profit and loss accordingly, if the Group is demonstrably committed to terminate the employment of employees before the employment contract expires or provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group is demonstrably committed to a termination if it has a detail formal termination plan or a voluntary redundancy offer without realistic possibility of withdraw and the plan is about to be implemented.

The early retirement plan shall be accounted for as the above termination benefits. The Group recognizes the salaries and social insurances to be paid to the early retired employees from the date they terminate service to the normal retirement date in the profit and loss if they satisfy the recognition criteria of provisions.

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

(22) Changes of significant accounting policies and estimates

- (a) In the six months ended 30 June 2012, the Group has no changes in accounting policies.
- (b) In the six months ended 30 June 2012, the Group has no changes in accounting estimates.

(23) Corrections of prior year errors

In the six months ended 30 June 2012, the Group has no corrections of prior year errors.

(24) Significant accounting judgments and estimates

Considering the inherent uncertainty in business activities, in determining the carrying amounts of certain assets and liabilities, the Group needs to make assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date.

The judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities in financial statements are based on historical experience of the management and on other relevant factors. Additionally, the uncertainty of the assumption can lead to material adjustments of the carrying amounts of assets and liabilities within the next financial year.

The above mentioned judgments, estimates and assumptions are periodically reviewed on an ongoing basis. Influence of revisions to accounting estimates is accounted for in the current period if it only affects one period, or in the current period and future periods if it affects both current and future periods.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(24) Significant accounting judgments and estimates (continued)

At the balance sheet date, the areas that involve significant judgments, estimates and assumptions are as follows:

(a) Provision for doubtful debts

An allowance for doubtful debts is made for any account considered to be doubtful of collection. Impairment losses for receivables are assessed based on the probability of default. The assessment of the impairment losses requires the judgments and estimates of the management. Hence, the differences between actual outcomes and the previous estimated outcomes can impact the carrying values of receivables and the recognition or the reversal of doubtful debts over the periods involved.

(b) Write-down of inventories

Inventories are stated at the lower of cost and net realizable value. The Group will make allowance for excess or obsolete inventories and write down to the net realizable value. Write-down of inventories to net realizable value is assessed based on the salability of inventories and the net realizable value. The assessment of write-down of inventories requires reliable evidence from the management. Moreover, the purpose of inventories and the effect of future events shall be taken into account when making judgments and estimates. Hence, the differences between actual outcomes and the previous estimated outcomes can impact the carrying value of inventories and the recognition or the reversal of provisions over the periods involved.

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

(24) Significant accounting judgments and estimates *(continued)*

(c) Impairment of available-for-sale financial assets

The evaluation of the impairment of available-for-sale financial assets ultimately depends on the judgments and assumptions of the management. The Group thereby determines whether the impairment will be recognized in the income statement. In making the judgments and assumptions, the Group need to assess the gap between the fair value of the investment and the cost, the duration of it, the financial condition of the invested entity and the short-term prospective, including industry conditions, technological advances, the credit ratings, probability of default, and counterparty's risks.

(d) Impairment of non-financial non-current assets

The carrying values of non-financial non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. The intangible assets with indefinite useful life must be tested for impairment at least annually as well as when there is any indication of impairment. Other non-financial non-current assets shall be tested for impairment when there is indication that the carrying value is not recoverable.

Impairment occurs when the carrying value of an asset or asset Group is higher than its recoverable amount, which is the higher of fair value less disposal cost and the present value of expected future cash flows. The fair value is assessed by reference of contract price for similar asset in a fair trade or observable market price. The disposal cost is the attributable incremental cost associated with the disposal.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(24) Significant accounting judgments and estimates (continued)

(d) Impairment of non-financial non-current assets (continued)

In estimating the present value of the future cash flows, the Group needs to make significant judgments on the production yield, pricing, related operating costs of the assets (or assets Group) and on the discount rate used to calculate the present value. The Group estimates the recoverable amount by using all accessible relevant information, including forecasts on production yield, pricing, and related operating costs based on reasonable and supportive assumptions.

(e) Depreciation and amortization

Fixed and intangible assets are depreciated and amortized in a straight-line approach over their estimated useful lives, taking into account of the scrap values. The Group regularly reviews the useful lives to determine the depreciation and amortization costs for each reporting period. The Group determines the useful lives of assets based on experience on similar assets as well as expected technological advances, changes to which are accounted for prospectively.

(f) Deferred tax assets

The deferred tax assets are recognized to the extent that the future taxable profits will be generated against which tax losses will be offset. In order to determine the amount of deferred tax assets, the Group's management needs to estimate the timing and the amount of taxable profits in the future by taking the influence of tax planning into account.

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

(24) Significant accounting judgments and estimates *(continued)*

(g) Income tax

There are many uncertainties that influence the final tax treatment and calculation of tax liability in the normal course of business. Certain tax issues require the permission of tax authorities. When the actual results differ from what is initially estimated, such differences will impact the income tax expense in the income statement and the deferred tax assets or deferred tax liabilities in the period when they occur.

(h) Early retirement benefits and supplementary retirement benefits

The amount of early retirement benefits and supplementary retirement benefits expenses and liabilities is determined on a variety of assumptions. These assumptions include the discount rate, the growth rate of average medical cost, the growth rate of the retired employees' subsidies and other factors. Differences between actual and estimated results will be recognized immediately as an expense. Although management believes that the assumptions are reasonable, the experience and changes in the assumptions will affect the Group's expense of early retirement benefits and supplementary retirement benefits and the carrying value of liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(24) Significant accounting judgments and estimates (continued)

(i) Provisions

The Group recognizes the provision for product quality guarantee, onerous contracts, and late delivery penalties in accordance with the terms of contract, current knowledge and historical experience. If such contingent events give rise to present obligations which will lead to an outflow of economic benefits from the Group, the Group recognizes the provisions on best estimate of the expenditures needed to settle the relevant current obligations. Recognition and measurement of the liabilities are expected to mainly rely on the management's judgment, which is based on related risks, uncertainties, time value of money and other factors.

5. TAXATION

Main taxes and tax rates

Type of tax	Taxation rates and base
VAT	17% of output VAT and output VAT less input VAT
Business tax	Taxable income: 3%-5%
City construction and maintenance tax,	
Education surcharge and local education surcharge	Paid circulating tax: 7%,3%,2%
Corporate income tax	Taxable income: 25%
Custom duty	FOB: 5%-15%

Notes to the Financial Statements (continued)

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	Company type	Legal representative	Organization code	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	108	Steel and related products production, processing, wholesale and retail	Limited liability company.	Li Baojie	67583176-9	108	
Angang Cold Rolled Steel(Putian) Co., Ltd. ("Angang Putian")	Controlling subsidiary	Putian	Steel processing distribution	1,500	Processing of ferrous metal rolling, rolled steel products, metallurgy parts manufacturing, sales of steel products, processing of steel products and related services	Limited liability company	Cao Pizhi	55097071-4	1,200	
Angang Steel Distribution (Hefei) Co., Ltd. ("Angang Hefei")	Wholly-owned subsidiary	Hefei	Steel Processing and distribution	97.5	Steel and related products production, processing, wholesale and retail	Limited liability company	Dong Haoran	57302266-1	97.5	
Guangzhou Angang Steel Processing Co., Ltd. ("Angang Guangzhou")	Controlling subsidiary	Guangzhou	Steel Processing and distribution	80	Steel and related products production, processing, wholesale and retail	Limited liability company	Zhang Lifan	58950506-X	20	

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

(1) Subsidiary (continued)

(a) Subsidiaries acquired by set up method

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			
Angang Cold Rolled Steel (Putian) Co., Ltd.	80	80	Yes	296		
Angang Steel Distribution (Hefei) Co., Ltd.	100	100	Yes			
Guangzhou Angang Steel Processing Co., Ltd.	51	51	Yes	20		

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

(1) Subsidiary (continued)

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

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.

(2) The change of the consolidation scope

There is no change of the consolidation scope.

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

There is no subsidiary that included in consolidation scope first time this period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the notes below(including notes to parent financial statements), unless otherwise special indicated, the “closing balance” is 30 June 2012, the “Opening balance” is 1 January, 2012, “this period” is six months ended at 30 June 2012, “last period” is six months ended at 30 June 2011.

(1) CASH AT BANKS AND ON HAND

Items	Closing balance	Opening balance
Cash on hand	1	1
Cash at banks	1,938	1,697
Cash in other forms	657	643
Total	2,596	2,341

(2) NOTES RECEIVABLE

(a) Classification of notes receivable

Items	Closing balance	Opening balance
Bank acceptance notes	11,364	5,914
Total	11,364	5,914

Note: Notes receivable at this period increases 92% comparing with last period, mainly due to more notes received and more notes issued leading less endorsement this period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(2) NOTES RECEIVABLE (continued)

- (b) As at the ending of the period, notes receivable are used for mortgage

Issuer	Date of Issued	Issuing Date	Balance
China Railway Material Group Co., Ltd.	Apr-Jun 2012	Sep-Dec 2012	177
Beijing North Vehicle Logistics Development Co., Ltd.	Apr-Jun 2012	Oct-Dec 2012	170
China Railway Materials Co., Ltd. Shenyang	Jun 2012	Sep 2012	170
Dongguan S & P Trading Co., Ltd.	Feb-May 2012	Aug-Nov 2012	117
BYD Company Limited	Feb-May 2012	Aug-Nov 2011	106
Total			740

Note: The Group mortgaged notes receivable of book value 101 million in total for notes payable which valued at 90 million from Bank of China. The mortgage deadline is June 2011 to December 2012. The Group mortgaged notes receivable of book value 470 million in total for notes payable which valued at 393 million from China Construction Bank. The mortgage deadline is May 2011 to November 2012. The Group mortgaged notes receivable of book value 1,362 million in total for notes payable which valued at 1,222 million from China Construction Bank. The mortgage deadline is June 2011 to December 2012.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****(2) NOTES RECEIVABLE (continued)**

- (c) For this period, there was no notes receivable transferred to account receivables due to that the issuer is unable to honor its commitment.
- (d) Outstanding undue endorsed notes (the top five by significant amount)

Issuer	Issuing date	Issuing date	Balance	Whether de- recognition	Notes
COSCO (Dalian)					
Shipyard Co., Ltd.	Jan-Mar 2012	Jul-Aug 2012	108	Yes	
Zhejiang Ouhua					
Shipment Ltd.	Jan-Feb 2012	Jul-Aug 2012	101	Yes	
Ye Hui (China)					
Materials Co., Ltd.	Feb 2012	Aug 2012	68	Yes	
Liaoning Large Steel					
Tube Co., Ltd.	Jan-Feb 2012	Jul-Aug 2012	54	Yes	
Shanghai Xin Zhou					
Marine Material					
Co., Ltd.	Jan-Feb 2012	Jul-Aug 2012	52	Yes	
Total			383		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) ACCOUNT RECEIVABLES

(a) Classified by nature

Type	Closing balance			
	Book balance		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Account receivables with significant single amount on which bad debt provision made individually	2,157	86		
Other account receivables with insignificant single accounts on which bad debt provision made individually	359	14		
Total	2,516	100		

Type	Opening balance			
	Book balance		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Account receivables with significant single amount on which bad debt provision made individually	1,646	88		
Other account receivables with insignificant single accounts on which bad debt provision made individually	233	12		
Total	1,879	100		

Notes to the Financial Statements (continued)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

(3) ACCOUNT RECEIVABLES (continued)

- (b) The aging analysis of account receivables

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,511	100	1,876	100
1 to 2 years	4		1	
2 to 3 years			1	
Over 3 years	1		1	
Total	2,516	100	1,879	100

Note: Account receivable at this period increases 34% comparing with last period, mainly due to increase in credit sales and export settlement amount.

- (c) Bad debt provision accrued at the end of the period

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

- (d) There are no account receivables due from shareholders with more than 5% (including 5%) voting rights of the Group at the end of the period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) ACCOUNT RECEIVABLES (continued)

- (e) As at 30 June 2012, the total amount of account receivables 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	1,200	Within 3 months	48
ANSC-TKS Changchun Steel Logistics Co., Ltd. . ("TKAS-SSC")	Jointly controlled enterprise	250	Within 4 months	10
Procurement Centre of China First Automobile Co., Ltd.	Third party	228	Within 3 months	9
Baoji Steel Liaoyang Steel Plant	Third party	134	Within 2 months	5
Petroleum Bao Shi-Shun steel pipe (Qinhuangdao) Co., Ltd.	Third party	104	Within 2 months	4
Total		1,916		76

- (e) The related parties transactions are disclosed in Note: 9 (6).

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****(4) OTHER RECEIVABLES**

(a) Classified by nature

Type	Closing balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Account receivables with significant single amount on which bad debt provision made individually	47	73		
Other account receivables with insignificant single accounts on which bad debt provision made individually	17	27		
Total	64	100		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) OTHER RECEIVABLES (continued)

(a) Classified by nature (continued)

Type	Opening balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Account receivables with significant single amount on which bad debt provision made individually	16	47		
Other account receivables with insignificant single accounts on which bad debt provision made individually	18	53		
Total	34	100		

Note: Other receivables increases 88% this period comparing with last period, mainly due to asset disposal proceed of 26 million due from Anshan Iron and Steel Group Chaoyang Anling Iron & Steel Co., Ltd.(Anling Steel).

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) OTHER RECEIVABLES (continued)

- (b) The aging analysis of other receivables

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	50	78	20	59
1 to 2 years	12	19	12	35
2 to 3 years			2	6
Over 3 years	2	3		
Total	64	100	34	100

- (c) Bad debt provision accrued at the end of the period:

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

- (d) The Group does not have other receivables due from shareholders with more than 5% (including 5%) voting shares of the Group at the end of the period.
- (e) The related parties transactions are disclosed in Note: 9 (6).

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) PREPAYMENTS

(a) The aging analysis of prepayments

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,661	83	3,406	88
1 to 2 years	221	7	324	8
2 to 3 years	255	8	100	3
Over 3 years	78	2	30	1
Total	3,215	100	3,860	100

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

(b) At 30 June 2012, top five debtors were as follows

Debtors	Relationship	Amounts	Aging	Reason for unsettlement
Angang Trade	Fellow subsidiary	2,570	Within 5 years	undue
Angang Engineering Technology Co.,Ltd	Fellow subsidiary	226	Within 1 years	undue
Tangshan Guofeng Iron and Steel Co., Ltd.	Third party	151	Within 1 years	undue
Ministry of Railways funds liquidation center	Third party	37	Within 1 years	undue
China First Heavy Industries AG	Third party	27	Within 1 years	undue
Total		3,011		

(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)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

(6) INVENTORIES

(a) An analysis of inventories by types

Items	Closing balance		Carrying value
	Book value	Provision for diminution of inventory value	
Raw materials	3,159	24	3,135
Work in progress	3,415	262	3,153
Finished goods	3,018	133	2,885
Consumables	1,304		1,304
Spare parts	2,280		2,280
Materials in transit			
Outsourcing material	6		6
Total	13,182	419	12,763

Items	Opening balance		Carrying value
	Book value	Provision for diminution of inventory value	
Raw materials	4,066	64	4,002
Work in progress	4,380	228	4,152
Finished goods	2,640	368	2,272
Consumables	1,420		1,420
Spare parts	2,390		2,390
Materials in transit	1		1
Outsourcing material	5		5
Total	14,902	660	14,242

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) INVENTORIES (continued)

(b) An analysis of provision for written down of inventories:

Items	Opening balance	Increase of the period	Decrease of the period		Closing balance
			Written back	Written off	
Raw materials	64	119		159	24
Work in progress	228	535		501	262
Finished goods	368	362		597	133
Total	660	1,016		1,257	419

(c) Analysis of provisions for written down of inventories

- (i) The market price of steel products dropped this period which resulted in the net realizable value of finished goods and the relevant raw materials lower than the cost; therefore, provision for written down of inventories is made at the end of the period.
- (ii) The reason that provision for written down of inventories has decreased was due to corresponding products had been sold, so the relevant provision had been transferred to cost of sale.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) OTHER CURRENT ASSETS

Items	Nature	Closing balance	Opening balance
Corporate income tax	Overpayment of corporate income tax	94	94
Total		94	94

(8) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Items	Closing balance	Opening balance
Available-for-sale equity instrument	96	92
Total	96	92

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) LONG-TERM EQUITY INVESTMENTS

(a) Analysis of long-term equity investments by types

Type	Opening balance	Increase of the period	Decrease of the period	Closing balance
Investment in joint ventures	1,544	155	232	1,467
Investment in associates	581	60	6	635
Other equity investments	358	55		413
Less: Provision for impairment of long-term equity investments				
Total	2,483	270	238	2,515

Notes to the Financial Statements (continued)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

(9) LONG-TERM EQUITY INVESTMENTS (continued)

(b) Details for long-term equity investments

Name of investee	Accounting method	Initial investment cost	Opening balance	Change of the period	Closing balance
ANSC-TKS Galvanizing Co., Ltd ("ANSC-TKS")	Equity method	533	1,190	(90)	1,100
ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Group Limited ("ANSC-Dachuan")	Equity method	190	218	5	223
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	Equity method	45	81	3	84
ANSC-TKS Changchun Steel Logistics Co., Ltd. ("TKAS-SSC")	Equity method	48	55	5	60
TKAS Angang Shenyang Steel Product Processing and Distribution Group Limited ("Angang Shenyang")	Equity method	26	27	4	31
(Changchun) Tailored Blanks Ltd ("TKAS")	Equity method	37	59	9	68
Angang Package Steel Strip Company Limited ("Angang Steel Strip")	Equity method	11	5		5
Angang Finance	Equity method	315	485	41	526
Tianjin Tantie Binhai Metallurgy Enterprise Co., Ltd. ("Binhai Industry")	Equity method	2	5		5
WISDRI Engineering and Research Incorporation Limited ("WISDRI")	Cost method	35	35		35
Heilongjiang Longmay Mining Group Co., Ltd. ("Longmay Group")	Cost method	220	220		220

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) LONG-TERM EQUITY INVESTMENTS (continued)

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

Name of investee	Accounting method	Initial investment cost	Opening balance	Change of the period	Closing balance
Anshan Falan Packing Material Co.,Ltd (Falan Packing)	Cost method	21	21		21
Dalian Shipbuilding Industry Co.,Ltd Shipyard Company (Dalian Shipyard)	Cost method	115	63	52	115
China Shipbuilding Industry Equipment And Materials Bayuquan Co., Ltd (China Shipbuilding)	Cost method	10	10		10
Dalian Shipbuilding Industry group Steel Co.,Ltd (Dalian Steel)	Cost method	9	9		9
Steam (Beijing) Lightweight Automobile Technology Research Institute Limited (Steam Beijing)	Cost method	3		3	3
Total			2,483	32	2,515

Notes to the Financial Statements (continued)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

(9) LONG-TERM EQUITY INVESTMENTS (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 period	Cash dividends
ANSC-TKS	50	50				200
ANSC-Dachuan	50	50				
Changchun FAM	50	50				4
TKAS-SSC	50	50				
Angang Shenyang	30	30				
TKAS	45	45				
Entity Packing	30	30				
Angang Finance	20	20				
Binhai Industry	30	30				
WISDRI	7	7				
Longmay Group	1	1				
Falan Packing	15	15				
Dalian Shipyard	15	15				
China Shipbuilding	10	10				
Dalian Steel	15	15				
Steam Beijing	7	7				
Total						204

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) LONG-TERM EQUITY INVESTMENTS (continued)

(c) INVESTMENT IN JOINT VENTURES AND ASSOCIATES

(i) Particulars of joint ventures of the Group.

Name of investee	Registration Type	Registration Place	Legal representative	Nature of business	Registered capital	The proportion of shareholding	The proportion of voting-rights (%)
ANSC-TKS	Sino-Foreign Cooperative Venture	Dalian	Ai Qile	Steel processing	USD132 million	50	50
ANSC-Dachuan	Limited Liability Group	Dalian	Lin Daqing	Steel processing and sale	RMB380 million	50	50
Changchun FAM	Sino-Foreign Cooperative Venture	Changchun	Li Baojie	Steel production processing and service	RMB90.374 million	50	50
TKAS-SSC	Sino-Foreign Cooperative Venture	Changchun	Wang Yanping.	Steel processing and sale	USD12 million	50	50

Notes to the Financial Statements (continued)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

(9) LONG-TERM EQUITY INVESTMENTS (continued)

(c) INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)

(i) Particulars of joint ventures of the Group. (continued)

Name of investee	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total revenue in the this period	Net profit in the this period
ANSC-TKS	2,961	685	2,276	2,152	269
ANSC-Dachuan	1,924	1,479	445	935	9
Changchun FAM	317	151	166	248	12
TKAS-SSC	560	428	132	608	13

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) LONG-TERM EQUITY INVESTMENTS (continued)

(c) INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)

(ii) Particulars of associates of the Group

Name of investee	Registration Type	Registration Place	Legal representative	Nature of business	Registered capital	The proportion of shareholding (%)	The proportion of voting-rights (%)
Angang Shenyang	Limited Liability Company	Shenyang	Zhao Guangjie	Tailored blanks processing	RMB48 million	30	30
TKAS	Sino-Foreign Joint Venture	Changchun	Nag Manfred	Steel processing and logistic	USD10 million	45	45
Entity Packing	Limited Liability Company	Anshan	Mao Guangyu	Packaging steel belt and steel processing	RMB35.73 million	30	30
Angang Finance Corporation	Limited Liability Company	Anshan	Yu Wanyuan	Deposit finance	RMB1000 million	20	20
Binhai Industry	Limited Liability Company	Tianjin	Jia Deqi	Service	RMB5 million	30	30

Notes to the Financial Statements (continued)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

(9) LONG-TERM EQUITY INVESTMENTS (continued)

(c) INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)

(ii) Particulars of associates of the Group

Name of investee	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total revenue in the this period	Net profit in the this period
Angang					
Shenyang	214	112	102	145	(2)
TKAS	199	47	152	271	21
Entity					
Packing	22	5	17		
Angang					
Finance	22,971	20,328	2,643	333	212
Binhai					
Industry	31	13	18	72	1

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) FIXED ASSETS

(a) Analysis of fixed assets

Items	Opening balance	Increase of the period	Decrease of the period	Closing Balance
Cost	90,661	1,730	68	92,323
Of which: Buildings and Plants	25,374	620		25,994
Machineries and equipment	60,848	984	67	61,765
Others	4,439	126	1	4,564
Accumulated depreciation	37,010	2,758	56	39,712
Of which: Buildings and Plants	6,660	400		7,060
Machineries and Equipment	27,846	2,085	55	29,876
Others	2,504	273	1	2,776
Net book value	53,651			52,611
Of which: Buildings and Plants	18,714			18,934
Machineries and equipment	33,002			31,889
Others	1,935			1,788
Provision for impairment	85			85

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) FIXED ASSETS (continued)

(a) Analysis of fixed assets (continued)

Items	Opening balance	Increase of the period	Decrease of the period	Closing Balance
Of which: Buildings and Plants	14			14
Machineries and equipment	68			68
Others	3			3
Book value	53,566			52,526
Of which: Buildings and Plants	18,700			18,920
Machineries and equipment	32,934			31,821
Others	1,932			1,785

- Note: i. The depreciation of this period was 2,758 million.
- ii. During this period, the cost that the construction in progress transferred into fixed assets was 1,772 million.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) FIXED ASSETS (continued)

- (b) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Book value	Notes
Buildings and Plants	19	8		11	Renovation
Machineries and Equipment	301	204	26	71	Renovation
Others	20	17	3		Renovation
Total	340	229	29	82	

- (c) The group had no financial leased fixed asset leased from others at 30 Jun 2012.

- (d) Operating leased fixed asset leased to others

Items	Closing book value	Opening book value
Buildings and Plants	67	69
Machineries and Equipment	71	74
Total	138	143

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) CONSTRUCTION IN PROGRESS

(a) Analysis of construction in progress

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Tiantie project	2,156		2,156	1,871		1,871
Bayuquan project	2,599		2,599	2,103		2,103
Putian cold project	2,442		2,442	2,228		2,228
High capability cold rolling silicon steel production line	126		126	38		38
Chemical plant renovation	107		107	1,441		1,441
Wire production line renovation	58		58	40		40
Others	1,575		1,575	1,415		1,415
Total	9,063		9,063	9,136		9,136

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) CONSTRUCTION IN PROGRESS (continued)

(b) Changes in main project of construction in progress

Items	Budget	Opening balance	Increase of the period	Transferred into fixed assets	Other decrease	Closing balance
Tiantie project	6,299	1,871	287	2		2,156
Bayuquan project	8,421	2,103	505	9		2,599
Putian cold project	3,770	2,228	214			2,442
High capability cold rolling silicon steel production line	3,400	38	88			126
Chemical plant renovation	1,577	1,441	29	1,363		107
Wire production line renovation	755	40	18			58
Others		1,415	558	398		1,575
Total		9,136	1,699	1,772		9,063

Notes to the Financial Statements (continued)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

(11) CONSTRUCTION IN PROGRESS (continued)

(b) Changes 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
Tiantie project	292	56	5.36	81	81	Self-financing,
Bayuquan project	262	68	6.31	37	37	Self-financing, borrowings
Putian cold project	167	53	5.51	74	74	Self-financing,
High capability cold rolling silicon steel production line	321			99	99	Self-financing,
Chemical plant renovation	96	25	5.61	90	90	Self-financing
Wire production line renovation	34			94	94	Self-financing
Others	343	42	5.97			Self-financing, borrowings
Total	1,515	244				

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

(c) As at 30 June 2012, no book value of construction in progress was higher than its realizable value.

(12) CONSTRUCTION MATERIALS

Project	Opening balance	Increase of the period	Decrease of the period	Closing balance
Special materials	1		1	
Special equipment	131	931	1,001	61
Total	132	931	1,002	61

Note: The closing balance of construction materials decreased by 54% comparing with the opening balance due to the receipt of production.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) INTANGIBLE ASSETS

Items	Opening balance	Increased of the period	Decreased of the period	Closing balance
Total cost	7,777	4		7,781
Land use rights	7,713	4		7,717
software	32			32
Non-patented technology	32			32
Accumulative amortization	953	82		1,035
Land use rights	905	78		983
software	19	4		23
Industrial technology	29			29
Total net book value	6,824			6,746
Land use rights	6,808			6,734
software	13			9
Non-patented technology	3			3
Total provision for impairment				
Land use rights				
software				
Non-patented technology				
Total book value	6,824			6,746
Land use rights	6,808			6,734
software	13			9
Non-patented technology	3			3

Note: The amortization amount was 82 million this period

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
- (i) Recognized deferred income tax assets

Items	Closing balance		Opening balance	
	Deferred income tax assets	Temporary difference or deductible loss (%)	Deferred income tax assets	Temporary difference or deductible loss (%)
Provision for diminution in value of inventories	105	419	165	660
Provision for impairment against fixed assets	21	85	21	85
Accumulated depreciation of fixed asset	5	21	5	21
Adjustment for unrealized inter-Group profit	7	27	7	27
Salaries payable	42	169	42	169
Termination benefits	7	28	9	37
Employee training expenses	16	62	15	60
Deductible losses	2,706	10,824	1,948	7,791
Government grant	168	672	167	667
Safety production expense	13	51	12	47
Total	3,090	12,358	2,391	9,564

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

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

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

(ii) Recognized deferred income tax liabilities

Items	Closing balance		Opening balance	
	Deferred income tax liabilities	Taxable temporary differences (%)	Deferred income tax liabilities	Taxable temporary differences (%)
Fair value variation on available-for-sale financial asset	4	15	3	11
Capitalized borrowing cost of general purpose loan	26	106	26	106
Adjustment for unrealized inter-Group profit	10	40	10	40
Total	40	161	39	157

(b) As at 30 June 2012, there was no temporary difference or deductible loss unrecognized as deferred income tax assets.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**(15) PROVISIONS FOR IMPAIRMENT**

Items	Opening balance	Provision for this period	Decrease Written back	Written off	Closing balance
Provision for diminution in value of inventories	660	1,016		1,257	419
Provision for impairment against fixed assets	85				85
Total	745	1,016		1,257	504

(16) ASSETS WHOSE OWNERSHIP OR USE RIGHT IS LIMITED

Disclosed in Note 7 (2).

(17) SHORT-TERM LOANS

Items	Closing balance	Opening balance
Guaranteed loans (Note)	3,473	1,380
Credit loans	12,830	9,250
Total	16,303	10,630

Note:

- i. Short-term loans have increased by 53%, due to increase in liquidity borrowings.
- ii. The guaranteed loans were used for liquidity and Tiantie project, and was provided by Angang Holding, Tiantie Group and its subsidiaries.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(18) NOTES PAYABLE

Classification of notes	Closing balance	Opening balance
Bank acceptance notes	9,406	5,565
Total	9,406	5,565

Note: Notes payable has increased by 69% due to increase in notes issued for purchase of materials and fuels.

(19) ACCOUNT PAYABLES

(a) Account payables classified according to nature

Items	Closing balance	Opening balance
Account payables for purchasing	5,094	4,252
Construction cost	109	286
Operation expenses on supporting production	41	76
Freight	28	26
Others	69	47
Total	5,341	4,687

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****(19) ACCOUNT PAYABLES**

- (b) About the related party transactions and shareholders with more than 5% (including 5%) of the voting shares of the Group, refer Note: 9 (6).
- (c) There was no significant account payables aged over 1 year at the end of the period.
- (d) The aging analysis of account payables

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	5,273	99	4,612	98
1 to 2 years	19		26	1
2 to 3 years	1		1	
Over 3 years	48	1	48	1
Total	5,341	100	4,687	100

(20) ADVANCES FROM CUSTOMERS

- (a) Advances from customers classified according to nature

Items	Closing balance	Opening balance
Sales of products	4,191	4,396
Total	4,191	4,396

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

(20) ADVANCES FROM CUSTOMERS (Continued)

- (b) About the related party transaction and shareholders with more than 5% (including 5%) of the voting shares of the Group, refer Note: 9 (6).
- (c) There were no significant advances from customers aged over 1 year at the end of the period.

(21) EMPLOYEE BENEFITS PAYABLE

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
1. Salaries, bonus and allowance	236	764	749	251
2. Staff welfare		92	92	
3. Social insurance		275	275	
Including: Medical insurance		55	55	
Basic Pension Insurance		149	149	
Annuity payment		32	32	
Unemployment insurance		15	15	
Staff and worker' injury insurance		11	11	
Others		13	13	
4. Housing fund		108	108	
5. Labor union fee and staff training fee	63	26	18	71
6. Termination benefits	19	37	46	10
7. Non-currency benefits				
8. Others		22	22	
Total	318	1,324	1,310	332

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) TAXES AND SURCHARGES PAYABLE

Items	Closing balance	Opening balance
VAT	(1,299)	(1,934)
Enterprise income tax	7	8
Individual income tax	2	4
City maintenance and construction tax	18	6
Education surcharges	8	3
Local education surcharges	5	2
Property tax	9	13
Land use tax	18	18
Stamp tax	9	9
Taxes to be offset	(29)	(43)
Total	(1,252)	(1,914)

Note: The taxes and surcharges payable has increased by 35% due to taxes to be offset from prior periods are used to offset this period's tax liability.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(23) INTERESTS PAYABLE

Items	Closing balance	Opening balance
Interest for short-term financing bonds	3	232
Total	3	232

Note: The interest payable has decreased by 99% due to interest accrued paid in this period.

(24) OTHER PAYABLES

(a) Analysis of other payables

Items	Closing balance	Opening balance
Construction costs	921	1,126
Guarantee-project/spare parts	797	858
The Energy-saving and Emission-reducing funds transferred by Angang holding	319	319
Performance guarantee	115	184
Freight charges	91	105
Deposit for steel shelves	42	14
Others	59	97
total	2,344	2,703

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) OTHER PAYABLES (Continued)

- (b) About the related party transaction and shareholders with more than 5% (including 5%) of the voting shares of the Group, refer Note: 9 (6).
- (c) Large balance of other payables aged over 1 year

Creditor	Closing balance	Reason	Whether paid after balance sheet date
Angang Construction Group	128	Project quality assurance	No
ACRE Coking & Refractory Engineering Consulting Corporation	62	Project quality assurance	No
Angang Engineering Technology Co. Ltd	39	Project quality assurance	No
Third of China Metallurgical Group Co., Ltd.	41	Project quality assurance	No
Others	156	Project quality assurance	No
Total	426		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(25) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR

- (a) Long-term liabilities due within 1 year

Items	Closing balance	Opening balance
Long-term loans due within 1 year (Note.(27))	6,616	4,201
Total	6,616	4,201

Note: The long-term liabilities due within 1 year has increased by 57% due to long-term loans due within 1 year transferred in.

- (b) Long-term loan liabilities due within 1 year

- (i) The analysis of long-term loans due within 1 year

Items	Closing balance	Opening balance
Guaranteed loans (Note.(27))	1,625	720
Credit loans	4,991	3,481
Total	6,616	4,201

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(25) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR (Continued)

(b) Long-term loan liabilities due within 1 year

(ii) Top five long-term loans due within 1 year

Lender	Commencement date	Expiry date	Interest Rate (%)	Closing balance	Opening balance
Angang Finance Industrial and Commercial	22 Apr 2010	22 Apr 2013	5.76	700	700
Bank of China Anshan Branch Industrial and Commercial	31 Jul 2008	28 Dec 2012	6.21	700	700
Bank of China Anshan Branch	13 Jun 2010	28 May 2013	5.76	400	400
Angang Finance Industrial and Commercial	25 Jun 2010	25 Jun 2013	5.76	400	400
Bank of China Anshan Branch	12 Jun 2010	11 Jun 2013	5.76	300	300
Total				2,500	2,500

(iii) There were no overdue loans in long-term loans due within 1 year.

(26) OTHER CURRENT LIABILITIES

Item	Content	Closing balance	Opening balance
Deferred income	Government grants related to assets	10	5
Short-term financing bonds		3,000	6,000
Total		3,010	6,005

Note: The closing balance of other current liabilities decreased comparing with the opening balance due to 6,000 million short-term financing bonds issued last year paid in this period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) LONG-TERM LOANS

- (a) Classification of Long-term loans

Items	Closing balance	Opening balance
Guaranteed loans (see note)	2,150	2,660
Credit loans	13,595	14,676
Minus: long-term loans that would due within 1 year (Note:7(25))	6,616	4,201
Total	9,129	13,135

Note:

- i. Long-term loans has decreased by 30%, due to long-term loans due within 1 year transferred to long-term liabilities due within 1 year.
- ii. Guaranteed loans were used in Putian cold project and Tiantie project, provided by Angang Holding, Tiantie group and its subsidiaries.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) LONG-TERM LOANS (Continued)

(b) Top five long-term loans

Lender	Commencement date	Expiry date	Interest rate (%)	Closing balance	Opening balance
Industrial and Commercial					
Bank of China Anshan Branch	31 Jul 2008	30 Jul 2013	6.21	700	700
Angang Finance	29 Jun 2011	27 Jun 2014	5.76	500	500
Bank of Agriculture Anshan Branch	19 May 2011	18 May 2014	5.76	500	500
China Construction Bank Angang Branch	27 Jul 2011	26 Jul 2014	5.99	500	500
China Development Bank of Liaoning Branch	30 Jul 2007	14 Apr 2030	6.35	500	500
Total				2,700	2,700

Note: The above does not include long-term loans due within 1 year.

(28) OTHER NON-CURRENT LIABILITIES

Item	Content	Closing balance	Opening balance
Deferred income	Government grants related to assets	682	668
Termination benefits	Termination benefits payable in above 1 year	18	18
Total		700	686

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) SHARE CAPITAL

Items	Opening balance		Changes of the period(+,-)					Closing balance	
	Amount	Proportion	Issued new shares	Bonus shares	accumulated fund	Others	Subtotal	Amount	Proportion
Shares with non-restriction on sale									
a. Ordinary A shares	6,149	85						6,149	85
b. Foreign shares listed overseas ("H shares")	1,086	15						1,086	15
Total	7,235	100						7,235	100

(30) CAPITAL RESERVE

Items	Opening balance	Increase of the period	Decease of the period	Closing balance
Share premium	31,439			31,439
Other capital reserve Including: Fair value variation on available- for-sale financial asset	19	3		22
Total	31,458	3		31,461

(31) SPECIAL RESERVE

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
Safe production expenses	47	19	1	65
Total	47	19	1	65

Note: The special reserve is safe production expenses provided.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(32) SURPLUS RESERVE

Items	Opening balance	Increase of the period	Decease of the period	Closing balance
Statutory surplus reserve	3,570			3,570
total	3,570			3,570

(33) UNDISTRIBUTED PROFITS

Items	This period	Appropriation or distribution proportion
Undistributed profits at the end of last period before adjustment	8,441	
Adjustment for undistributed profits at the beginning of period		
Undistributed profits at the end of last period after adjustment	8,441	
Add: Net profits attributable to owners of parent company during this period	(1,976)	
Recovery of losses from surplus reserve		
Other transferred-in		
Less: Appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Dividend to shareholder		
Dividend of ordinary shares transferred to share capital		
Undistributed profits at the end of period	6,465	

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) OPERATING INCOME AND OPERATING COSTS

- (a) Operating income and operating costs

Items	This period	Last period
Operating income from main operation	39,263	46,224
Other operating income	115	110
Total	39,378	46,334
Operating costs for main operation	38,191	42,620
Other operating costs	134	103
Total	38,325	42,723

- (b) Main operation according to industry

Name of industry	This period		Last period	
	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	39,263	38,191	46,224	42,620
Total	39,263	38,191	46,224	42,620

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****(34) OPERATING INCOME AND OPERATING COSTS (Continued)**

(c) Main operation according to products

Name of products	This period		Last period	
	Operating income from main operation	Operating costs for main operation	Operating income from main operation	Operating costs for main operation
Hot rolled products	13,701	13,213	13,552	12,568
Cold rolled products	15,020	14,658	19,111	16,700
Medium -thick plate	5,087	4,833	7,658	7,378
Others	5,455	5,487	5,903	5,974
Total	39,263	38,191	46,224	42,620

(d) Main operation according to regions

Regions	This period		Last period	
	Operating income from operation	Operating costs for operation	Operating income from operation	Operating costs for operation
China	35,770	34,782	41,903	38,746
Overseas	3,493	3,409	4,321	3,874
Total	39,263	38,191	46,224	42,620

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) OPERATING INCOME AND OPERATING COSTS (Continued)

(e) Top five buyers

Period	Sum of top five buyers	Proportion (%)
This period	8,358	21
Last period	10,957	24

(35) BUSINESS TAXES AND SURCHARGES

Items	This period	Last period
Resources tax and Business Tax	1	2
City maintenance and construction tax	38	36
Education surcharge and local education surcharge	27	25
Custom duty	1	5
Total	67	68

Note: Business tax and surcharges paid complying with Note 5.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(36) MARKETING EXPENSES

Items	This period	Last period
Packing expense	294	306
Delivery expense	211	293
Sales and service expense	59	56
Agency fee for commissioned sales	16	19
Employee benefits fees	17	18
Warehouse storage expense	4	3
Insurance expense	3	5
Others	54	53
Total	658	753

(37) ADMINISTRATIVE EXPENSES

Items	This period	Last period
Repairs and maintenance	637	821
Employee benefits fees	209	197
Tax	201	176
Amortization of intangible assets	82	85
Sewage fee	47	26
Depreciation	45	48
Assistance expenditure of production	42	38
Computer maintenance expenditure	14	11
Security and firefighting expenses	22	25
Warehouse expenditure	20	23
Others	154	123
Total	1,473	1,573

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(38) FINANCIAL EXPENSES

Items	This period	Last period
Interest expenses	1,131	973
Minus: Interest income	17	15
Minus: Capitalization of interest	244	184
Exchange gain and loss	(35)	6
Minus: Capitalization of exchange gain and loss		
Others	21	37
Total	856	817

(39) INVESTMENT INCOME

(a) Statement on investment

Items	This period	Last period
Long-term equity investment income measured by cost method		2
Long-term equity investment income measured by equity method	201	229
Total	201	231

Note: There were no severe restrictions on the transfer of investment income to the Group.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(39) INVESTMENT INCOME

(b) Long-term equity investments income measured cost method

Investee	This period	Last period
Longmay Group		2
Total		2

(c) Long-term equity investments income measured by equity method

Investee	This period	Last period
ANSC-TKS	135	165
Angang Finance	41	33
TKAS	9	11
Changchun FAM	6	8
TKAS-SSC	6	6
ANSC-Dachuan	5	7
Entity Packing		(1)
Angang Shenyang	(1)	
Total	201	229

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(40) IMPAIRMENT LOSSES

Items	This period	Last period
Provision for diminution in value of inventories	1,016	581
Total	1,016	581

Note: The impairment loss increased by 75% due to the increase of written down of inventories.

(41) NON-OPERATING INCOME

(a) Particulars about non-operating income

Items	This period	Last period	The amount recorded into extraordinary gains and losses
Total gains from disposal of non-current assets	31	13	31
Including: Gains on fixed assets scrapped		5	
Gains on intangible assets scrapped		7	
Other gains on disposal of fixed assets	31	1	31
Government grant (Disclosed in the form: Details of government grants)	18	92	18
Others	1	1	1
Total	50	106	50

Note: The non-operating income decreased by 53% mainly due to the decrease of government grant.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(41) NON-OPERATING INCOME (Continued)

(a) Particulars about non-operating income

Including: Details of government grants:

Items	This period	Last period
R & D subsidy	2	11
Military project grants	11	12
Environment	5	
CDM subsidy		69
Total	18	92

(42) NON-OPERATING EXPENSES

Items	This period	Last period	The amount recorded into extraordinary gains and losses
Total loss on disposal of non-current assets	12	22	12
Including: Loss on fixed assets scrapped	1	21	1
Other loss on disposal of fixed assets	11	1	11
Others	1	1	1
Total	13	23	13

Note: The non-operating expenses decreased by 43% due to the decrease of loss on fixed assets disposal

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(43) INCOME TAX EXPENSES

Items	This period	Last period
Income tax calculated according to the Law of Tax and relevant regulations		42
Adjustments on deferred income tax	(699)	(53)
Total	(699)	(11)

Note: The income tax expenses decreases due to increase in deferred tax asset.

(44) BASIC EPS AND DILUTED EPS

For the company, the basic earnings per share shall be calculated by dividing the current net profits belonging to the shareholders of ordinary shares by the weighted average number of ordinary shares issued to the public. In accordance with the specific terms and clauses of the issuance contract, the number of newly issued ordinary shares shall be calculated and decided as from the date of consideration receivable (generally the date of issuance of stocks).

For the company, the diluted earnings per share shall be calculated by dividing the current net profits belonging to the shareholders of ordinary shares by the weighted average number of ordinary shares issued to the public. When calculating the diluted earnings per share, the company shall adjust the current net profits belonging to the shareholders of ordinary shares for the items as follows:

Notes to the Financial Statements (continued)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

(44) BASIC EPS AND DILUTED EPS (Continued)

- (i) The interests of the diluted potential ordinary shares expensed in the current period,
- (ii) The gains or losses resulted from the conversion of the diluted potential ordinary shares and
- (iii) The effects of the income tax on the above adjustments.

The weighted average number of the ordinary shares issued to the public in the current period shall be the sum of the weighted average number of ordinary shares in calculating the basic earnings per share and the weighted average number of increased ordinary shares assuming that the diluted potential ordinary shares have already been converted into ordinary shares.

When calculating the increase in the weighted average number of ordinary shares resulting from conversion from the diluted potential ordinary shares into ordinary shares, the diluted potential ordinary shares offered in prior periods shall be assumed to be converted at the beginning of current period. The diluted potential ordinary shares issued in current period shall be assumed to be converted at the date of offer.

- (a) Basic EPS and diluted EPS

Profits of the reporting period	This period		Last period	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	(0.273)	(0.273)	0.030	0.030
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	(0.277)	(0.277)	0.022	0.022

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(44) BASIC EPS AND DILUTED EPS (Continued)

- (b) Calculation of basic EPS and diluted EPS
- (i) Calculation of the current net profits belonging to the shareholders of ordinary shares when calculating the basic earnings per share:

Items	This period	Last period
Net profit attributable to ordinary shareholders	(1,976)	220
Including: Net profit attributable to continuing operations	(1,976)	220
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	(2,004)	158
Including: Net profit attributable to continuing operations	(2,004)	158

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(44) BASIC EPS AND DILUTED EPS (Continued)

(b) Calculation of basic EPS and diluted EPS (Continued)

(ii) Calculation of the weighted average number of ordinary shares issued to the public when calculating the basic earnings per share:

Items	This period	Last period
The number of ordinary shares issued to the public in the beginning of the period	7,235	7,235
Plus: the weighted average number of ordinary shares issued this period		
Minus: the weighted average number of ordinary shares repurchase this period		
The number of ordinary shares issued to the public in the end of the period	7,235	7,235

(iii) As the Company does not have diluted potential ordinary shares, Basic EPS the diluted EPS equals the basic EPS.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(45) OTHER COMPREHENSIVE INCOME

Items	This period	Last period
Gain from the available- for-sale financial assets	4	(10)
Minus: Income tax impact resulted from the available-for-sale financial assets	1	(2)
Total	3	(8)

(46) NOTES TO THE CASH FLOW STATEMENT

(a) Cash received from other operating activities

Items	This period	Last period
Government grants	36	218
Others	4	2
Total	40	220

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(46) NOTES TO THE CASH FLOW STATEMENT (Continued)

(b) Cash paid for other operating activities

Items	This period	Last period
Freight fee payments for others	204	286
Agency fee for commissioned sales	47	60
Sewage fee	44	26
Procurement and marketing fees	23	21
Insurance fees	17	22
Security and firefighting expenses	5	26
Others	245	149
Total	585	590

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(46) NOTES TO THE CASH FLOW STATEMENT (Continued)

(c) Cash received from other investing activities

Items	This period	Last period
interest revenue	17	15
Income from trail run	1	11
Total	18	26

(d) Cash paid for other financing activities

Items	This period	Last period
Payment to the banks of discount rate on bills payable		74
Total		74

Notes to the Financial Statements (continued)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

(47) SUPPLEMENT TO CASH FLOW STATEMENT

(a) Reconciliation of net profit to cash flows from operating activities

Supplement	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	(2,080)	144
Add: Provision for impairment	(241)	(214)
Depreciation of fixed assets	2,758	3,687
Amortization of intangible assets	82	85
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("—" for gains)	(20)	(7)
Loss on scrap of fixed assets	1	16
Loss on the change of fair value		
Financial expenses	837	781
Investment loss	(201)	(231)
Decrease in deferred tax assets ("—" for increase)	(699)	(53)
Increase in deferred tax liabilities ("—" for decrease)		
Decrease in inventories ("—" for increase)	1,731	(1,003)
Decrease in operating receivables ("—" for increase)	(5,508)	(244)
Increase in operating payables ("—" for decrease)	5,017	484
Others	43	13
Net cash flow from operating activities	1,720	3,458

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(47) SUPPLEMENT TO CASH FLOW STATEMENT

(a) Reconciliation of net profit to cash flows from operating activities

Supplement	This period	Last period
2. Change in cash and cash equivalents		
Cash at the end of the period	2,596	2,429
Less: cash at the beginning of the period	2,341	3,651
Add: cash equivalents at the end of the period		
Less: cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	255	(1,222)

(b) Composition of cash and cash equivalents

Items	30 Jun 2012	31 Dec 2011
1. Cash at bank and on hand	2,596	2,429
Of which: Cash	1	1
Bank deposits available	1,938	2,149
Other deposits available	657	279
2. Cash equivalents		
Of which: Bond due within 3 months		
3. Closing balance of cash and cash equivalents	2,596	2,429

8. ACCOUNTING TREATMENT OF ASSET SECURITIZATION

The Group had no operation about asset securitization this period.

9. RELATED PARTIES AND RELATED PARTY 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 Anshan Liaoning Province	Zhang Xiaogang	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 (Note)	24142001-4

(2) INFORMATION ON THE SUBSIDIARY OF THE GROUP

Disclosed in Note 6 (1).

(3) INFORMATION ON THE JOINT VENTURES AND ASSOCIATES OF THE GROUP

Disclosed in Note 7 (9).

9. RELATED PARTIES AND RELATED PARTY 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 Development Co., Ltd	Fellow subsidiary	11886337-0
Angang mechanization loading Co.	Fellow subsidiary	94126489-2
Angang Mining Construction Co.	Fellow subsidiary	664557266
Angang Engineering Technology Co., Ltd	Fellow subsidiary	79159132-8
Angang Electric Co., Ltd	Fellow subsidiary	94126485-X
Angang Automatism Co	Fellow subsidiary	94126643-3
Angang Auto Transport Co., Ltd	Fellow subsidiary	94126444-6
Angang Reception Service Co.	Fellow subsidiary	94121967-X
Anling Steel	Fellow subsidiary	664560991
Panzhihua Iron and Steel Group Steel Vanadium and Titanium Co., Ltd.	Fellow subsidiary	204360956
Anshan Angang Vesuvius Refractories Co., Ltd.	Associate of parent company	686619528
Anshan Jidong Cement Co., Ltd.	Associate of parent company	77077858X
Angang BK Guilini Water Treatment Co., Ltd.	Associate of parent company	68661847X

Notes to the Financial Statements (continued)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) RELATED PARTY TRANSACTIONS

- (a) Related party transactions with Angang Holding
- (i) Purchase of goods and services

Contents	Pricing Policy	This Period		Last Period	
		Amount	Percent of related transactions	Amount	Percent of related transactions (%)
Raw materials	Note. I	7,708	51	8,662	49
Ancillary materials and spare parts	Note. ii	885	26	760	14
Energy and power supplies	Note. iii	941	33	895	31
Support services	Note. iv	2,560	68	2,975	57
Total		12,094		13,292	

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions with Angang Holding

(ii) Sales and render services

Contents	Pricing Policy	This Period		Last Period	
		Amount	Percent of related transactions	Amount	Percent of related transactions (%)
Products	Note.v	4,031	10	4,049	9
Scrap materials and Minus sieve powder	Note.v	95	96	79	95
General services	Note.vi	295	38	279	37
Total		4,421		4,407	

(b) Related party transactions with Panzihua Iron and Steel Group Steel Vanadium and Titanium Co., Ltd.

Contents	Pricing Policy	This Period		Last Period	
		Amount	Percent of related transactions	Amount	Percent of related transactions (%)
Raw materials	Note. I	375	3		
Total		375			

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) RELATED PARTY TRANSACTIONS (Continued)

Notes:

- i. 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);
- ii. The selling prices are not higher than the average prices charged to independent customers for the preceding month.
- iii. Mainly at state prices, operating costs plus 5% of gross profit margin.
- iv. 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.
- v. 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.

Retired assets and idle assets are mainly at market prices or assessed prices.
- vi. At the state prices, operating costs plus 5% of gross profit margin, or market prices.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantee of loans

Warrantor	Warrantee	Amount Guaranteed	Starting date	Expiring date	Whether fulfilled
Angang Holding	Angang Putian	1,100	Apr 2010	Jun 2016	No
Angang Holding	Tianjin Tiantie	793	May 2012	Nov 2012	No
Angang Holding	The company	1,000	Feb 2012	Jan 2013	No

(d) Directors' and Supervisors' remunerations

The interval of remunerations	This period	Last period
Total	2	1
Including: (number)		
Over 0.20 million	1	1
0.15 to 0.20 million	8	6
0.10 to 0.15 million		
Within 0.10 million	1	1

Notes to the Financial Statements (continued)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(CONTINUED)

(5) RELATED PARTY TRANSACTIONS (Continued)

(e) Other related party transactions

(i) Received agency service from Angang Trade

The Group received agency services for domestic sales and export of products amount to 2.95 million tons and 0.76 million tons respectively for this period (2.58 million tons and 0.84 million tons for last period).

(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 period	Sales in Last period
ANSC-TKS	1,712	1,754
TKAS-SSC	299	260
Changchun FAM	13	35
TKAS	7	

B. Agency service received from TKAS-SSC

The Group received agency services for domestic sales of products from TKAS-SSC amount to RMB 2 million for this period (last period: 3 million).

C. The Group received supporting services from Binhai Industry: 0 (last period: 6 million).

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) RELATED PARTY TRANSACTIONS (Continued)

(e) Other related party transactions (Continued)

(iii) Loan, deposit, interest paid in/to Angang Finance

Items	Annual interest rate	Opening balance	Increased	Decreased	Closing balance	Terms of credit
Loan	5.49-6.318	6,150	2,700	3,250	5,600	Credit and Guarantee Loan
Deposit		1,128			1,270	

The Group's interest income of deposit from Angang finance was RMB 5 million (for the last period: RMB 7 million) and the interests for borrowing and bills discounted was RMB 167 million (for the last period: RMB 138 million). The daily maximum amount of deposit in Angang Finance was RMB 5,418 million.

(iv) Loans and interest paid with Angang Holding

Items	Annual interest rate	Opening balance	Increased	Decreased	Closing balance	Terms of credit
Loan	5.49-6.318	550	3,600		4,150	Credit Loan

Loans were borrowed from Angang Finance entrusted by Angang Holding. The interest expense was 87 million (for the last period: 4 million).

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES

- (a) Account receivables and prepayment with related parties

Items	Closing balance	Opening balance
Account receivables		
Angang Trade	1,200	1,033
TKAS-SSC	250	115
Anling Steel	14	18
Angang Engineering Technology Co., Ltd	6	
Angang House Property Co.		16
Angang Heavy machine Co., Ltd	7	14
Angang Holding		1
Angang Fire-resistant material Co	3	
Other related parties	1	3
Total	1,481	1,200
Prepayment		
Angang Trade	2,570	3,054
Angang Engineering Technology Co., Ltd	226	259
Anling Steel	9	115
Angang Mining Construction Co.	9	
Angang Heavy machine Co., Ltd		9
Angang Construction Group		3
Angang Entity Group	1	
Total	2,815	3,440

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES (Continued)

(a) Account receivables and prepayment with related parties (Continued)

Items	Closing balance	Opening balance
Other receivables		
Anling Steel	26	
Angang Trade	1	
Total	27	

(b) Accounts payable and advance from customers with related parties

Items	Closing balance	Opening balance
Account payables		
Angang Trade	32	137
Angang Entity Group	19	34
Angang Construction Group	8	27
Angang Mine Construction Co.	1	20
Angang Auto Transport Co., Ltd	13	12
Angang Holding	21	12
Angang Automatism Co	3	9
Angang Steel rope Co., Ltd.	9	5
Angang Electric Co., Ltd		4
Angang Railway Transport Facilities Construction Co.		3
Angang Real Estate Development Co., Ltd	3	3
Angang Heavy machine Co., Ltd	4	1
Falan Package	9	
Angang Engineering Technology Co., Ltd	6	
Total	128	267

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS*(CONTINUED)***(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES***(Continued)*

- (b) Accounts payable and advance from customers with related parties
(Continued)

Items	Closing balance	Opening balance
Advance from customers		
Angang Trade	503	581
ANSC-TKS		35
Angang Construction Group	13	17
Angang Entity Group	6	9
Angang Anshan Mining Co.	8	8
Changchun FAM	4	4
Angang Steel rope Co., Ltd.		1
TKAS	6	1
Angang Holding	7	1
Falan Package	9	
Angang Real Estate Development Co., Ltd	1	
Other related parties	1	1
Total	558	658

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
 (CONTINUED)

(6) THE BALANCES OF TRANSACTIONS WITH RELATED PARTIES
 (Continued)

- (b) Accounts payable and advance from customers with related parties
 (Continued)

Items	Closing balance	Opening balance
Other payables		
Angang Holding	326	320
Angang Trade	106	197
Angang Construction Group	156	183
Angang Engineering Technology Co., Ltd	144	71
Angang Automatism Co	28	40
Angang Entity Group	24	36
Angang Mine Construction Co.	12	24
Binhai Industry		20
Angang Heavy machine Co., Ltd	12	17
Angang Electric Co., Ltd	9	13
Angang Real Estate Development Co., Ltd	7	9
Angang Auto Transport Co., Ltd	5	3
Total	829	933

10. SHARE-BASED PAYMENT

As at 30 June 2012, the Group had no share-based payment.

11. CONTINGENCIES

As at 30 June 2012, there were no contingencies to be disclosed.

12. CAPITAL COMMITMENT**(1) SIGNIFICANT CAPITAL COMMITMENT**

Terms	30 Jun 2012	31 Dec 2011
Investment contracts entered into but not performed or performed partially	404	456
Construction and renovation contracts entered into but not performed or performed partially	3,408	3,198
Total	3,812	3,654

(2) PERFORMANCE OF THE CAPITAL COMMITMENT OF LAST PERIOD

The Group's capital commitment has been performed according to commitment of prior periods up to 30 June 2012.

13. EVENTS AFTER THE BALANCE SHEET DATE

There is no event after the balance sheet date to be disclosed.

14. OTHER SIGNIFICANT TRANSACTION

There is no event after the balance sheet date to be disclosed.

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT

(1) ACCOUNT RECEIVABLES

(a) Classified by account nature

Type	Closing balance			
	Book balance Balance	Percentage (%)	Bad debt Balance	Provision Percentage (%)
Account receivables with significant single amount on which bad debt provision made individually	2,157	86		
Other account receivables with insignificant single accounts on which bad debt provision made individually	361	14		
Total	2,518	100		

Type	Opening balance			
	Book balance Balance	Percentage (%)	Bad debt Balance	Provision Percentage (%)
Account receivables with significant single amount on which bad debt provision made individually	1,691	88		
Other account receivables with insignificant single accounts on which bad debt provision made individually	233	12		
Total	1,924	100		

Note: Account receivable at this period increases 31% comparing with last period, mainly due to increase in credit sales and export settlement amount.

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT (CONTINUED)

(1) ACCOUNT RECEIVABLES (Continued)

- (b) The aging analysis of account receivables

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,513	100	1,921	100
1 to 2 years	4		1	
2 to 3 years			1	
Over 3 years	1		1	
Total	2,518	100	1,924	100

- (c) Bad debt provision accrued at the end of the period:

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

- (d) There are no account receivables due from shareholders with more than 5% (including 5%) voting rights of the Group at the end of the period.
- (e) As at 30 June 2012, the total amounts of account receivables due from the Group's top five debtors is disclosed in Notes 7 (3).

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT (CONTINUED)

(1) ACCOUNT RECEIVABLES (Continued)

(e) The related parties transactions

Items	Closing balance	Opening balance
Angang Trade	1,200	1,033
TKAS-SSC	250	115
Anling Steel	14	18
Angang Engineering Technology Co., Ltd	6	
Angang House Property Co.		16
Angang Heavy machine Co., Ltd	7	14
Angang Holding		1
Angang Fire-resistant material Co	3	
Angang PuTian	2	
Other related parties	1	3
Total	1,483	1,200

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT (CONTINUED)

(2) OTHER RECEIVABLES

(a) Classified by nature

Type	Closing balance			
	Book balance		Bad debt Provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Account receivables with significant single amount on which bad debt provision made individually	47	76		
Other account receivables with insignificant single accounts on which bad debt provision made individually	15	24		
Total	62	100		

Type	Opening balance			
	Book balance		Bad debt Provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Account receivables with significant single amount on which bad debt provision made individually	16	47		
Other account receivables with insignificant single accounts on which bad debt provision made individually	18	53		
Total	34	100		

Note: Other receivables increases 82% this period comparing with last period, mainly due to asset disposal proceed of 26 million due from Anshan Iron and Steel Group Chaoyang Anling Iron & Steel Co., Ltd.

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT (CONTINUED)

(2) OTHER RECEIVABLES (Continued)

- (b) The aging analysis of other receivables

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	48	77	20	59
1 to 2 years	12	20	12	35
2 to 3 years			2	6
Over 3 years	2	3		
Total	62	100	34	100

- (c) Bad debt provision accrued at the end of the period:

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

- (d) The Group does not have other receivables due from shareholders with more than 5% (including 5%) voting shares of the Group at the end of the period.
- (e) The related parties transactions are disclosed in Note: 9 (6).

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT
(CONTINUED)**(3) LONG-TERM EQUITY INVESTMENT**

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

Type	Opening balance	Increase of the period	Decrease of the period	Closing balance
Investment in subsidiaries	3,276			3,276
Investment in joint ventures	1,544	155	232	1,467
Investment in associates	576	60	6	630
Other equity investments	358	55		413
Less: Provision for impairment of long-term equity investment				
Total	5,754	270	238	5,786

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT (CONTINUED)

(3) LONG-TERM EQUITY INVESTMENT (Continued)

(b) Details for long-term equity investments

Investee	Accounting method	Initial investment cost	Opening balance	Changes of the period	Closing balance
Angang Wuhan	Cost method	108	108		108
Tianjin Tiantie	Cost method	1,850	1,850		1,850
Angang PuTian	Cost method	1,200	1,200		1,200
Angang Hefei	Cost method	98	98		98
Angang Guangzhou	Cost method	20	20		20
ANSC-TKS	Equity method	533	1,190	(90)	1,100
ANSC-Dachuan	Equity method	190	218	5	223
Changchun FAM	Equity method	45	81	3	84
TKAS-SSC	Equity method	48	55	5	60
Angang Shenyang	Equity method	26	27	4	31
TKAS	Equity method	37	59	9	68
Entity Packing	Equity method	11	5		5
Angang Finance	Equity method	315	485	41	526
WISDRI	Equity method	35	35		35
Longmay Group	Cost method	220	220		220
Falan Packing	Cost method	21	21		21
Dalian Shipyard	Cost method	115	63	52	115
China Shipbuilding	Cost method	10	10		10
Dalian Steel	Cost method	9	9		9
Stream Beijing	Cost method	3		3	3
Total			5,754	32	5,786

Notes to the Financial Statements (continued)

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT
(CONTINUED)

(3) LONG-TERM EQUITY INVESTMENT (Continued)

(b) Details for long-term equity investments (Continued)

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 in the this period	Cash dividends
Angang Wuhan	100	100				
Tianjin Tiantie	50	50				
Angang Putian	80	80				
Angang Hefei	100	100				
Angang Guangzhou	51	51				
ANSC-TKS	50	50				200
ANSC-Dachuan	50	50				
Changchun FAM	50	50				4
TKAS-SSC	50	50				
Angang Shenyang	30	30				
TKAS	45	45				
Entity Packing	30	30				
Angang Finance	20	20				
WISDRI	7	7				
Longmay Group	1	1				
Falan Packing	15	15				
Dalian Shipyard	15	15				
China Shipbuilding	10	10				
Dalian Steel	15	15				
Stream Beijing	7	7				
Total						204

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 period	Last period
Operating income from main operation	38,404	45,326
Other operating income	17	12
Total	38,421	45,338
Operating costs for main operation	37,174	41,643
Other operating costs	22	12
Total	37,196	41,655

(b) Main operation according to industry

Industry nature	This period		Last period	
	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	38,404	37,174	45,326	41,643
Total	38,404	37,174	45,326	41,643

Notes to the Financial Statements (continued)

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT
(CONTINUED)

(4) OPERATING INCOME AND OPERATING COSTS (Continued)

(c) Main operation according to product

Product types	This period		Last period	
	Operating income from main operation	Operating costs for main operation	Operating income from main operation	Operating costs for main operation
Hot-rolled products	14,325	13,787	14,355	13,349
Cold-rolled products	13,537	13,067	17,410	14,942
Medium-thick plates	5,087	4,833	7,658	7,378
Others	5,455	5,487	5,903	5,974
Total	38,404	37,174	45,326	41,643

(d) Main operation according to regions

Regions	This period		Last period	
	Operating income from operation	Operating costs for operation	Operating income from operation	Operating costs for operation
China	34,911	33,765	41,005	37,769
overseas	3,493	3,409	4,321	3,874
Total	38,404	37,174	45,326	41,643

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT (CONTINUED)

(4) OPERATING INCOME AND OPERATING COSTS (Continued)

(e) Top five buyers

Period	Sum of top five buyers	Proportion (%)
This period	8,277	22
Last period	10,753	24

(5) INVESTMENT INCOME

(a) Statement on investment

Items	This period	Last period
Long-term equity investment income measured by cost method		2
Long-term equity investment income measured by equity method	201	229
Total	201	231

Note: There were no severe restrictions on the transfer of investment income to the Group.

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT
(CONTINUED)**(5) INVESTMENT INCOME** (Continued)

(b) Long-term equity investment income measured by cost method

Investee	This period	Last period
Longmay Group		2
Total		2

(c) Long-term equity investment income measured by equity method

Investee	This period	Last period
ANSC-TKS	135	165
Angang Finance	41	33
TKAS	9	11
Changchun FAM	6	8
TKAS-SSC	6	6
ANSC-Dachuan	5	7
Entity Packing		(1)
Angang Shenyang	(1)	
Total	201	229

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT (CONTINUED)

(6) SUPPLEMENT TO CASH FLOW STATEMENT

Supplement	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	(1,788)	322
Add: Provision for impairment	(243)	(214)
Depreciation of fixed assets	2,639	3,528
Amortization of intangible assets	76	78
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("—" for gains)	(20)	(7)
Loss on scrap of fixed assets	1	16
Loss on the change of fair value		
Financial expenses	760	693
Investment loss	(201)	(231)
Decrease in deferred tax assets ("—" for increase)	(637)	(6)
Increase in deferred tax liabilities ("—" for decrease)		
Decrease in inventories ("—" for increase)	1,551	(784)
Decrease in operating receivables ("—" for increase)	(5,514)	(588)
Increase in operating payables ("—" for decrease)	5,453	750
Others	43	15
Net cash inflow from operating activities	2,120	3,572

Notes to the Financial Statements (continued)

15. NOTES TO PRINCIPAL ITEMS OF PARENT'S FINANCIAL REPORT
(CONTINUED)**(6) SUPPLEMENT TO CASH FLOW STATEMENT** (Continued)

Supplement	This period	Last period
2. Change in cash and cash equivalents		
Cash at the end of the period	1,312	1,338
Less: Cash at the beginning of the period	1,183	2,542
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	129	(1,204)

16. NET CURRENT ASSET

Items	Closing balance	Opening balance
Current assets	32,612	28,364
Minus: Current liabilities	46,294	36,823
Net current asset/(liability)	(13,682)	(8,459)

17. TOTAL ASSETS MINUS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	106,709	102,988
Minus: Current liabilities	46,294	36,823
Total assets minus current liabilities	60,415	66,165

18. SUPPLEMENTARY DOCUMENTS

(1) EXTRAORDINARY GAINS AND LOSSES

Items	This period	Last period
Gains/losses from disposal of non-current assets	19	7
Government grant which recorded into profit/loss of current period except that relevant to enterprise operation and in compliance with government policies	18	92
Other non-operating income and expense Except above subtotal	37	(16) 83
Effect on taxation	(9)	(21)
Total	28	62

Note: "+" refer to gains or incomes, "-" refer to losses or expenditures

The recognizing of Company's non-recurring gains and losses comply with the disclosure requirements of "explanatory announcement of Information Disclosures of Companies Issuing Public Shares, No. 1: non-recurring gains and losses" (CSRC announcement [2008] No.43)

(2) ROE AND EPS

Profit in this period	Weighted average (ROE)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shares	(3.97)	(0.273)	(0.273)
Net profit (exclusive of non-operating profit) attributable to ordinary shares	(4.03)	(0.277)	(0.277)

18. SUPPLEMENTARY DOCUMENTS (CONTINUED)**(2) ROE AND EPS (Continued)**

Note:

- (i) Weighted average ROE = $P0 / (E0 + NP \div 2 + E_i \times M_i \div M0 - E_j \times M_j \div M0 \pm E_k \times M_k \div M0)$

P0 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

E0 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

M0 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 from other transaction and matters occurred to the end of reporting period

- (ii) Basic EPS and Diluted EPS disclosed in note 7(44)

18. SUPPLEMENTARY DOCUMENTS (CONTINUED)

(3) ANALYSIS OF THE UNUSUAL SITUATION ABOUT MAIN ITEMS OF THE FINANCIAL STATEMENTS

Items on cash flow statement

- (i) The net cash inflow from operating activities this period was RMB1,720 million, comparing with 3,458 million of the last period, mainly due to the decrease in cash received from selling of goods and rendering of services.
- (ii) The net cash outflow from investing activities this period was RMB1,530 million, comparing with 3,089 million of the last period, mainly due to the decrease in cash paid for acquisition of fixed assets, intangible assets and other non-current assets.
- (iii) The net cash inflow from financing activities this period was RMB65 million, comparing with outflow of 1,591 million of the last period, mainly due to cash received from loans exceeding cash paid for repayment of loans and the decrease in cash paid for distribution of dividends or profit and repayment of interests.

Documents Available for Inspection

1. Counterpart of 2012 interim report signed by the Chairman;
2. Counterpart of financial report signed and affixed with the seal by the legal representative, person in charge of accounting and head of the accounting department of the Company;
3. Counterpart of all documents publicly disclosed by the Company in the China Securities Journal and the Securities Times during the Reporting Period;
4. Counterpart of the Articles of Association of the Company;
5. Interim report of the Company disclosed in the Hong Kong stock market;

The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited*, at 1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC.

Board of Directors

Angang Steel Company Limited*

27 August 2012

Note: This report is published in both Chinese and English. The Chinese version shall prevail in case of any inconsistency between the two versions.



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