



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

(Stock Code : 0347)



2013
Interim Report

* For identification purposes only



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Important Notice and Definitions

IMPORTANT NOTICE

The Board and the Supervisory Committee, the Directors and 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 Chairman of the Company, Mr. Ma Lianyong, Chief Accountant and Mrs. Che Chengwei, person in charge of the accounting institution guarantee the truthfulness, accuracy and completeness of the financial statements in this report.

The 2013 interim financial report of the Company is unaudited.

The 2013 interim financial report of the Company is prepared in accordance with the Accounting Standards for Business Enterprises in the PRC.

DEFINITIONS

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

- “Angang Dalian” Angang Steel Processing & Distribution (Dalian) Co., Ltd. (鞍鋼鋼材加工配送(大連)有限公司), a company incorporated in Dalian, the PRC;
- “Angang Financial Company” Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司), a company incorporated in the PRC and a subsidiary of Angang Group Company;
- “Angang Group Company” Angang Group Company* (鞍鋼集團公司), a company incorporated in the PRC with limited liabilities, the ultimate controlling shareholder of the Company;
- “Angang Holding” Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), the immediate holding company of the Company, which currently holds approximately 67.34% of the equity interest of the Company and a major enterprise in the iron and steel industry of the PRC;
- “Angang Holding Group” Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司) and its subsidiaries in which it holds more than 30% equity interests (other than the Group);
- “Angang Putian” Angang Cold Rolled Steel Plate (Putian) Co., Limited* (鞍鋼冷軋鋼板(莆田)有限公司), a limited liability company incorporated in Putian, Fujian Province, the PRC in the business of steeling production, processing and distribution;
- “Angang Tiantie” Tianjin Angang Tiantie Cold Rolled Sheets Co. Limited* (天津鞍鋼天鐵冷軋薄板有限公司), a company incorporated in Tianjin, the PRC;

Important Notice and Definitions *(continued)*

“Angang Trade”	Angang Group International Economic Trading Corporation* (鞍鋼集團國際經濟貿易公司), a company incorporated in the PRC and a wholly-owned subsidiary of Angang Holding;
“ANSC-TKS”	ANSC-TKS Galvanizing Co., Ltd. (鞍鋼新軋 — 蒂森克虜伯鍍鋅鋼板有限公司);
“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 Anshan, Liaoning Province, the PRC, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shenzhen Stock Exchange;
“connected person”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“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)”	the director(s) of the Company;
“EPS”	earnings per share;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“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;
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd. (攀鋼集團鋼鐵鈮鈦股份有限公司), a company incorporated in the PRC with shares listed on the Shenzhen Stock Exchange;
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries;
“PRC”	the People’s Republic of China (for the purpose of this interim report, excluding Hong Kong and Macau Special Administrative Region);
“Reporting Period”	the six-month period from 1 January 2013 to 30 June 2013;
“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
“%”	per cent.

Corporate Profile

I. CORPORATE INFORMATION

Stock Exchange Listings	Shenzhen Stock Exchange		
Stock Abbreviation	*ST Angang Steel	Stock Code	(A share) 000898
Stock Exchange Listings	Hong Kong Stock Exchange		
Stock Abbreviation	Angang Steel	Stock Code	(H share) 0347
Chinese Name of the Company	鞍鋼股份有限公司		
Chinese Name Abbreviation	鞍鋼股份		
English Name of the Company	Angang Steel Company Limited		
English Name Abbreviation	ANSTEEL		
Legal Representative of the Company	Zhang Xiaogang		

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities Affairs Representative
Name	Ma Lianyong	Jin Yimin
Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC	1 Qianshan Road West, Qianshan District, Anshan City, Liaoning Province, the PRC
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III. OTHER INFORMATION

1. Contact methods of the Company

There was no change in registered address, business address and postal code, website and email address of the Company during the Reporting Period. Please refer to 2012 Annual Report of the Company for details.

2. Information disclosure and place for inspection

There was no change in Company's designated newspapers for disclosure of information, website for publication of interim report designated by the CSRC and place for inspection of the Company's interim report during the Reporting Period. Please refer to 2012 Annual Report of the Company for details.

3. Changes in registration

There was no change in registration date and place of incorporation, registration number of legal person business license held by the Company, taxation registration number and organization code during the Reporting Period. Please refer to 2012 Annual Report of the Company for details.

4. Other relevant information

There was no change in other relevant information during the Reporting Period.

Summary of Accounting Figures and Financial Indicators

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP

Unit: RMB' million

	During the Reporting Period (from January to June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared with the corresponding period of the previous year (%)
Operating income	36,922	39,378	-6.24
Net profit attributable to the shareholders of the listed company	702	-1,976	135.53
Net profit attributable to the shareholders of the listed company after non-recurring items	635	-2,004	131.69
Basic earnings per share (RMB Yuan/share)	0.097	-0.273	135.53
Diluted earnings per share (RMB Yuan/share)	0.097	-0.273	135.53
Returns on net assets on weighted average basis (%)	1.50	-3.97	Increased by 5.47 percentage points
Net cash flow from operating activities	10,663	1,720	519.94

Summary of Accounting Figures and Financial Indicators *(continued)*

	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease as at the end of the Reporting Period as compared with the end of the previous year (%)
Total assets	88,116	101,237	-12.96
Equity (or shareholders' equity) attributable to the shareholders of the listed company	47,005	46,598	0.87

II. NON-RECURRING ITEMS:

No.	Items	Effect on profit <i>(RMB million)</i>
1	Gains/losses from disposal of non-current assets	29
2	Government subsidies (except for government subsidies which are closely related to the Company's operations and entitled in fixed amount or quantity in conformity with the standards of the State) attributable to gains or losses for the period	63
3	Net gains/losses of subsidiaries during the current period from business combinations under the same control from the beginning of the period to the combination date	-2
4	Subtotal	90
5	Effect of income tax	-23
6	Total	67

Note: For non-recurring items, "+" refers to gains or incomes, "-" refers to losses or expenditures.

I. SUMMARY

In the first half of 2013, amid the slowdown of domestic economic growth, weakness of the iron and steel industry continued with an aggravated mismatch between the supply and demand, bringing unprecedented pressure to the iron and steel enterprises. In face of various unfavorable factors, the Company pressed ahead with reducing the costs and enhancing efficiency through exploring the potential in each stage of production and operation. In the meantime, the Company reinforced the efforts in scientific research, refined its products portfolio, improved the quality of customer service and expanded the market. All these efforts helped the Company to turn loss into profitability in adversity in the first half of this year.

In the first half of 2013, the Company achieved net profit attributable to the shareholders of the Company of RMB702 million, representing an increase of 135.53% as compared with the corresponding period of the previous year. Basic profit per share was RMB0.097 per share, representing an increase of 135.53% as compared with the corresponding period of the previous year.

II. ANALYSIS OF PRINCIPAL BUSINESS

1. Overview

During the Reporting Period, the Group achieved an operating revenue of RMB36,922 million, representing a decrease of 6.24% as compared with the corresponding period of the previous year. The operating cost was RMB32,423 million, representing a decrease of 15.40% as compared with the corresponding period of the previous year. The Group also achieved the operating profit of RMB578 million, total profit of RMB632 million, net profit of RMB688 million and net profit attributable to the shareholders of the Company of RMB702 million, representing an increase of 120.53%, 122.74%, 133.08% and 135.53% as compared with the corresponding period of the previous year, respectively.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

1. Overview *(continued)*

Unit: RMB' million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the change
Operating income	36,922	39,378	-6.24	Note 1
Operating costs	32,423	38,325	-15.40	Note 2
Marketing expenses	790	658	20.06	Note 3
Administrative expenses	1,744	1,473	18.40	Note 4
Financial expenses	707	856	-17.41	Note 5
Income tax expenses	-56	-699	91.99	Note 6
Net cash flow from operating activities	10,663	1,720	519.94	Note 7
Net cash flow from investing activities	161	-1,530	110.51	Note 8
Net cash flows from financing activities	-10,980	65	-16,992.31	Note 9
Net increase of cash and cash equivalents	-156	255	-161.18	Note 10

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

1. Overview *(continued)*

Notes:

- (1) Operating income decreased by RMB2,456 million as compared with the corresponding period of the previous year, mainly attributable to the decrease in the price of steel products.
- (2) The operating costs decreased by RMB5,902 million as compared with the corresponding period of the previous year, mainly attributable to the strengthening of market research and anticipation, control of the frequency of procurement, resulting in a decrease in procurement costs of the Company followed by an optimisation of the structure of coal blending and ore proportioning, resulting in a decrease in materials costs. In addition, the Company carried forward targeted cost control based on the working process, streamlined the management of logistics, power and capital. All these contributed to a further reduction of relevant costs and expenses.
- (3) Marketing expenses increased by RMB132 million as compared with the corresponding period of the previous year, mainly attributable to 1) the increase in sales and 2) the increase in transportation expenses following the increase in the volume of settlement with certain users by CIF prices as part of the Company's efforts in optimising its logistics management.
- (4) Administrative expenses increased by RMB271 million as compared with the corresponding period of the previous year, mainly attributable to the increase in maintenance costs as the Company strengthened the repair and maintenance of equipment.
- (5) Financial expenses decreased by RMB149 million as compared with the corresponding period of the previous year, mainly attributable to the fact that the Company commenced its inward and outward documentary bills, optimised the terms of loans, saved capital costs and reduced interest expenses.
- (6) The income tax expenses increased by RMB643 million as compared with the corresponding period of the previous year, mainly attributable to the provision of deferred tax for the loss in the corresponding period of the previous year.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

1. Overview *(continued)*

Notes: (continued)

- (7) Net cash flow from operating activities increased by RMB8,943 million as compared with the corresponding period of the previous year. Based on the direct method, the increase was mainly due to the decrease in cash paid for goods and services following in the declined prices of raw materials and fuels. Based on the indirect method, the increase was mainly due to 1) the increase in cash flow of RMB2,768 million as there was a net profit of RMB688 million in the current period while a loss of RMB2,080 million occurred in the corresponding period of the previous year and 2) the increase in cash inflow in line with the changes in operating receivables such as notes receivables and account receivables.
- (8) Net cash flow from investing activities increased by RMB1,691 million as compared with the corresponding period of the previous year, mainly attributable to 1) a decrease in the cash paid for acquisition of fixed assets and expenditures of construction in progress in the current period; 2) the increase in cash received from investment income in the current period; and 3) the increase in cash received from assets exchange and share transfer transaction.
- (9) Net cash flows from financing activities decreased by RMB11,045 million as compared with the corresponding period of the previous year, mainly attributable to the fact that cash received from borrowings was less than cash repaid for loans (net repayment for loans) during the period.
- (10) Net increase of cash and cash equivalents decreased by RMB411 million, mainly due to increase of RMB8,943 million in the net cash inflow from operating activities caused by the decreased cash payment for goods and services in the current period; 2) the decrease of RMB1,691 million in net cash flow from investing activities as compared with the previous year caused by the decrease in acquisition of fixed assets and expenditures of construction in progress, the increase in cash received from investment income and the increase in cash received from assets exchange and share transfer transaction; and 3) the increase of RMB11,045 million in the net cash outflows from financing activities as cash received from borrowings was less than cash repaid for loans during the year.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

2. During the Reporting Period, there was no substantial change in profit composition or sources of profit of the Company.

3. The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period

To achieve the target of converting loss into profitability in 2013 as set in the beginning of the year, all the staff of the Company, on each stage covering production, purchase, sales, services and scientific research, fully explored the potential of the enterprise, continued to improve the product quality and reduced the costs and consumption, striving to improve the profitability of the Company.

(1) Stabilization of production and ensure the overall scale

During the Reporting Period, the Group produced 10,417,500 tons of iron, 10,013,300 tons of steel and 9,456,700 tons of steel products, representing an increase of 4.4%, 3.81% and 0.73%, respectively, over the corresponding period of the previous year. Sale of steel products amounted to 9,128,400 tons, representing an increase of 1.03% as compared with the corresponding period of the previous year. The Group also realized a 96.53% sale-to-production ratio for steel products.

In the first half of this year, in face of the ever-changing market conditions, the Company insisted the principle of "priority to benefits and focus to quality survey and improvement". It prioritized the production lines with higher benefits. The production of products with higher benefits was planned in advance with priority, in order to improve the output from production lines with higher benefits. As for the production lines with less benefits, the Company, based on the mode of intensive production, insisted the match between the production scale and the annual overhaul as well as the combination of equipments periodical repair and centralized production and suspension of production lines, which effectively lowered the production costs.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

3. The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period *(continued)*

- (2) Further exploration on cost reduction potentials and strict control on every stage
 - a. Avoiding the peak whilst choosing the bottom for reduction of procurement costs

By leveraging the lag between the movement in global and domestic coal prices and based on the preliminary estimation on market movement made in the process of negotiation between the Company and the major coal enterprises, the Company managed to procure at appropriate prices by avoiding the peak whilst choosing the bottom. In the first half of the year, the purchase cost on coal decreased by an aggregate of RMB2.2 billion as compared with the corresponding period of the previous year.

Based on its judgment on market trend, the Company purchased imported spot ore at the right timing, especially for its bulk purchase at the low of the price index in June. In the first half of the year, the purchase price of imported ore of the Company decreased by 9.27% compared to the corresponding period of the previous year.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

3. The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period *(continued)*

(2) Further exploration on cost reduction potentials and strict control on every stage *(continued)*

b. Effective reduction on cost of raw materials under precise organization of steel-making and ore proportioning

During the first half of the year, the Company proactively responded to the market and significantly reduced its ore proportioning cost by optimizing and adjusting its steel-making and ore proportioning in Anshan and Yingkou. On the one hand, the Company facilitated its selective procurement by making several adjustments to its proportion of imported sinter fines, self-produced ore concentrate, ground ore concentrate and the miscellaneous material. It also sufficiently utilized its existing inventory and stock, and rationally adjusted the timing and quantity of material procurement. On the other hand, the Company recycled its internal miscellaneous material and explored relevant potential for the reduction of its cost of pig iron.

c. Reduction of raw materials inventory to reduce utilization of funds

Provided that the Company is able to satisfy its production needs, the Company minimized its inventory on expensive raw materials by dynamically adjusting its demand on imported ore based on market condition. In the meantime, it precisely planned the progress of its production and suppressed its inventory on bulk raw materials. By insisting operation with low inventory, the Company decreased its utilization of funds and thereby enhanced its capability in resisting market risk.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

3. The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period *(continued)*

(2) Further exploration on cost reduction potentials and strict control on every stage *(continued)*

d. Streamlining management and reducing cost of logistics

Based on the demand, external resources and transportation in Anshan and Yingkou, the Company rationally arranged its procurement structure and fully leveraged on its cost advantage of marine transport in Bayuquan Port. In addition, the cost of logistics was effectively lowered by appropriately increasing the proportion of marine transport and reducing mutual transfer of coal between the two places.

e. Enhancement on capital management to reduce cost of capital

The businesses of inward and outward documentary bills were commenced and the medium-term notes of RMB4.0 billion were successfully issued. As a result, the terms of loans were optimized and cost of capital was reduced. In the first half of the year, financial expenses were reduced by an aggregate of RMB149 million.

Through the implementation of the measures on efficiency enhancement, the costs of the Company were significantly reduced. This has laid a firm foundation for the Company's goal of achieving conversion into profitability in the future.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

3. The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period *(continued)*

(3) Strong exploration on market with focus on key projects

The Company proactively responded to the changes in a challenging market conditions. It explored existing and potential demand with the objective to increase its market share. In the first half of the year, more than 80 new customers were developed. The senior management of the Company led relevant teams to visit several major downstream users, extend cooperation with strategic users and delivered significant results. The Company has also established a comprehensive strategic cooperation relationship with Guangzhou Automobile Group Motor Co., Ltd. In the first half of the year, the percentage of direct supply reached 69%, representing an increase of 4% compared to the previous year.

The Company closely monitored international, national and local key projects. In the first half of the year, the Company achieved satisfactory results in bidding key projects. It was the bid winner for a total of 12 key projects, including the Projects of Bridge Plates for the Verrazano Bridge of the United States, Beihai Natural Gas Tank of Sinopec, the Jinan-Qingdao Gas Transmission Pipeline and Tieling-Jinzhou Pipeline of Sinopec and PetroChina.

The interaction between the overseas and domestic markets was increased and a mechanism for market forecast was established. The Company also fully leveraged the mismatch between export and domestic prices as well as the advantage of the time lag and adjustability of the delivery of the domestic resources. In addition, the Company appropriately increased its export of steel products and recorded an export settlement amount of 765,800 tons for the first half of the year.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

3. **The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period** *(continued)*

(4) Innovative marketing model and expanding sales channels

The Company achieved a breakthrough in online sales and gradually developed e-commerce through collaborating with the professional websites of third parties. Currently, online sale on the exclusive business platform of the Company is available for the whole series of products, including hot rolled sheets, cold rolled sheets, wire rods, colour coating plates as well as medium and thick plates. In the meantime, the Company also collaborated with renowned steel portal websites for developing e-transaction with the objective to expand the promotion of the brand and products of Angang and release information on resources through the internet. The Company aimed at exploring customer groups over the internet and establishing a network of multi-point online trading, so as to expand the channels and resources of online trading.

At present, a combination of distribution channels for the sales of the Company by futures agreement, spot agreement, export and internet has been established. As such, the Company could flexibly and systematically respond to changes in the market and resist the risks from markets.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

3. The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period *(continued)*

(5) Reinforcing development and profitability of products

Firstly, the Company focused on markets orientation and reinforced the development of products for high-end market. Satisfactory progress had been achieved in the development of its high-end products such as alloy structured rolled sheet STK490. Secondly, the Company also reinforced its innovation on production technologies. The Company took the opportunity of resource integration by leveraging on its relationship with Angang Group Company. Through the synergy effect generated by working with Pangang Group Sichuan Changcheng Special Steel Co., Ltd. (攀鋼集團四川長城特殊鋼有限責任公司), the Company utilized their quality raw materials and the advantage of its technology on 4,300 mm heavy plate wire, it developed corrosion resistant alloy GH600 and GH800 which contain more than 92% of Ni and Cr and are alternatives to the imported products. The resistance of high temperature and deformation of the two products is 3 to 4 times of that of carbon steel and their rolling thickness of 6 mm is the highest in the PRC. In addition, the Company also developed titanium sheet that contains more than 99% of Ti, which is pure titanium TA2 wide and thick sheet for industrial use that contains the least density of alloy. The Company also developed the technologies and methods for the production line of medium and thick plate of carbon steel to produce alloy, thereby further expanded the productivity and area of rolling machine. Thirdly, the Company reinforced its development on low-cost and high added-value products. By adopting the 300 mm continuous-cast slab for trial production of 200 mm and 240 mm AGMJ45 ultra-thick plate, the Company managed to produce steel plate at the cost per ton of steel which is RMB1,200 lower than forging and rolling by continuous-cast slab. The Company developed 45#1.5/1.8mm ultra-thin hot rolled sheet as an alternative to imported products. By optimizing parameters, the Company successfully rolled 5 mm 06Ni9 steel sheet for low-temperature pressure vessel and commenced relevant product supply.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

3. **The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period** *(continued)*

(5) Reinforcing development and profitability of products *(continued)*

As for the Company's steel plates for hull and marine engineering purposes, 40 trial productions at steel level and certification from vessel classification societies of 9 countries have been accomplished for the normalized high-strength steel plates. 72 trial productions at steel level have been accomplished for the quenched and tempered ultra-high strength steel plates of the Company and certification from vessel classification societies of 9 countries will also be completed by the end of the year. This will be filling the blank of the Company's products in plate for marine purposes, thereby enabling it to cover all medium-thick plates in the specification of marine steel plates and maintaining its leading status among the peers in the PRC.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

3. The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period *(continued)*

- (6) Focus on scientific research and development and improvement in production technologies

In the first half of the year, the Company accomplished 4 examinations of scientific research results at provincial level, of which the "Research and Development on the Technology for the Purification of Molten Steel from the Tiny Heterogeneous Substance Formed In Situ from Metallurgical Smelted Ore" (冶金熔體中原位生成微小異相淨化鋼水技術研究與開發) and "Research and Development on the New Generation TMCP Technology for Economic and High Performance Medium-Thick Plates" (節約型高性能中厚板新一代TMCP技術開發及應用) were recognized as reaching internationally leading standard. There were also other two research results recognized as reaching internationally leading standard. The Company adopted the continuous-cast slab forging and rolling technology to produce 152 mm steel plate to fill the blank in the PRC. The first batch 152 mm Q345B steel plate of the Company produced that adopted the 300 mm continuous-cast slab forging and rolling technology has been delivered to Shandong Nuclear Power Equipment Manufacturing Co., Ltd. This was the first time for the Company to connect 4,300 mm continuous-slab with the technology of producing ultra-thick plate after forging and rolling, thereby accomplished a breakthrough in the bottle neck of producing ultra-thick plate. As such, the Company filled the blank of this type of ultra-thick plate in the PRC. It significantly reduced its cost of production on the product as it managed to produce at a cost which is RMB2,000 lower than using the traditional casting technology. The types of ultra-thick steel product of the Company were also expanded thereby providing product security for the safe and stable usage by the downstream enterprises.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

3. The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period *(continued)*

- (6) Focus on scientific research and development and improvement in production technologies *(continued)*

The Company successfully accomplished a research project on the technology producing A4Cr5MoSiV1 high alloy core rod. It successfully researched and processed $\Phi 102.3$ mm and $\Phi 144.9$ mm core rods by utilizing its own resources and self-developed high alloy core rod producing technology. Compared with purchasing domestic produced core rods from external parties, the cost can be lowered by more than RMB20,000 per core rod. As a result, the Company significantly reduced its procurement cost on core rods.

- (7) Enhancing technical service and improving customer services

Through regular and mutual visits with strategic customers, the Company established close cooperation relationship with downstream enterprises. It entered into technological cooperation agreement with 9 enterprises, such as the TIPO Group (中油天寶). The Company established a joint laboratory with the FAW Group and entered into strategic agreement with China Classification Society (CCS). In addition, the Company ensured satisfactory promotion and application of its three major product series of steel plates for nuclear power by entering 11 new product supply and technology agreements with users such as Shandong Nuclear Power Equipment Manufacturing Co., Ltd., Dongfang Electric Corporation, Dalian Shipbuilding Industry Co., Ltd. and Harbin Turbine company Limited. Through conducting survey, research and analysis on the cold-forged steel for automobile and inviting automobile experts to explain knowledge on the structure of automobile, the Company acquainted the composition of all the parts and accessories of automobile, thereby effectively commenced product development with clear objectives. The corrosion rate of the S450AW weathering steel plate developed by the Company is low and its formability is strong. As a result, China Railway Corporation trusted and recommended the product and jointly conducted survey with the Company at Mozambique for preliminary technical services.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

3. The Company's review of the progress during the Reporting Period of the operation plan disclosed in the previous period *(continued)*

- (8) Endeavoring to quality survey and improvement for the maximization of benefits

The Company reinforced its market development activities for its strategic and major products such as steel for automobiles, steel for pipelines and sheet for home appliances, steel for petroleum and petrochemical industries, steel for railway. It maintained leading position in the markets of steel for automobiles, home appliances and railway. In the meantime, the Company further developed the markets for products with higher benefits such as ultra-thin, ultra-thick and ultra-wide plates among plain carbon products. The Company reinforced quality survey and improvement on its "3Hs" products, namely high technology, high added-value and high sales volume. In the first half of the year, the Company commenced quality survey and improvement with a focus on 56 types of products. As a result, the key indicators on quality improved, especially significant economic benefits were accomplished by the reduction of loss of quality per ton of billets and material. In particular, satisfactory results accomplished by quality survey and improvement activities such as the replacement of ingot casting slab with low-cost continuous-casting slab, the development of the thick plate and carbon steel production line into a production line of quality carbon steel and low-cost and quality alloy products, the reinforcement of product development aiming at the limitation of "ultra-thin, ultra-wide and ultra-thick", the establishment of technological barrier by the developing ultra products as well as the development of ultra quality plates for ships. The Company was equipped with the capability of supplying steel every part of automobiles, and the volume of orders it received also increased by 62.4% as compared with the corresponding period of the previous year.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

4. Liquidity and Financial Resources

As at 30 June 2013, the Group had long-term loans of RMB3,713 million (exclusive of loans due within one year) with interest rates ranging from 5.535% to 6.4% per annum. Under the terms of three to seven years, the loans will expire during the period from 2014 to 2017. The loans are mainly used for replenishing working capital and project borrowings. The Group's long-term loans due within one year amounted to RMB1,271 million.

In 2013, with good credibility, the Group was reviewed and rated by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) with a long-term credit rating of "AAA". Therefore, the Group is capable of repaying its debts when they become due.

As at 30 June 2013, the Group had a capital commitment of RMB3,188 million, which was primarily attributable to the construction and renovation contracts entered into but not performed or partially performed, and the external investment contracts entered into but not performed or partially performed.

5. Foreign Exchange Risk

The Group adopts locked exchange rates in settling its transactions with export and import agents for export product sales, import and procurement of raw materials and equipment for projects, therefore the Group is not subject to any significant foreign currency risk arising from foreign currency transactions.

6. Gearing ratio

As at 30 June 2013, the Group's ratio of equity to liability was 1.15 times and the figure was 0.91 times as in 2012.

7. During the Reporting Period, the Company did not have any pledge of assets.

8. Contingent liabilities

As of 30 June 2013, the Group had no contingent liabilities.

III. COMPOSITION OF THE PRINCIPAL BUSINESSES

Principal businesses of the Group by industry and products

Unit: RMB' million

	Operating income	Operating cost	Gross profit margin (%)	Increase/ decrease in operating income as compared with the corresponding period of the previous year (%)	Increase/ decrease in operating cost as compared with the corresponding period of the previous year (%)	Increase/ decrease in gross profit margin as compared with the corresponding period of the previous year (Percentage point)
By industry						
Steel pressing and processing industry	36,887	32,395	12.18	-6.05	-15.18	9.45
By products						
Hot-rolled sheets products	12,968	11,755	9.35	-5.35	-11.03	5.79
Cold-rolled sheets products	13,270	10,984	17.23	-11.65	-25.06	14.82
Medium and thick plates	4,389	3,828	12.78	-13.72	-20.79	7.79

III. COMPOSITION OF THE PRINCIPAL BUSINESSES *(CONTINUED)*

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

Notes:

1. The decrease in operating income from hot-rolled sheets products as compared with the corresponding period of the previous year was primarily due to the decrease in the prices of steel products. The decrease of operating cost was due to i) the decrease in the processing cost attributable to the Company's efforts in reducing the costs through reducing the materials costs from an optimised blending of coal and ores; stringent control of consumptions, improving the economic and technical standards and promoting the target cost management in processing and ii) the decrease in the prices of raw materials and fuels. The increase in gross profit margin was mainly attributable to the deepening of the Company's efforts in cost reduction and efficiency enhancement and the decrease in prices of raw materials and fuels.
2. The decrease in operating income from cold-rolled sheets products as compared with the corresponding period of the previous year was primarily due to i) the decrease in the prices of products and ii) the decrease in the product sales volume. The decrease of operating cost was due to i) the decrease in the processing cost attributable to the Company's efforts in reducing the costs through stringent control of consumptions and improving the economic and technical standards; ii) the decrease in the prices of raw materials and fuels and iii) the decrease in the product sales volume. The increase in gross profit margin was mainly attributable to the deepening of the Company's efforts in cost reduction and efficiency enhancement and the decrease in prices of raw materials and fuels.
3. The decrease in operating income from medium and thick plates as compared with the corresponding period of the previous year was primarily due to i) the decrease in the product prices; ii) the decrease in the product sales volume. The decrease of operating cost was due to the decrease in the processing cost attributable to the Company's unswerving promotion of the operation solutions such as costs reduction and efficiency enhancement as well as streamline management; and iii) the decrease in the product sales volume. The increase in gross profit margin was mainly attributable to a more significant decrease in the operating cost as compared with the decrease in the operating income.

III. COMPOSITION OF THE PRINCIPAL BUSINESSES *(CONTINUED)*

Segmental information of operating revenue of the Group by geographical locations of sales

Unit: RMB' million

	Operating revenue from main operation	Increase/ decrease in operating revenue from main operation as compared with the previous year (%)
Northeast China	13,484	-4.08
North China	3,225	-35.19
East China	9,051	2.27
South China	6,976	-1.39
Central south China	705	45.96
Northwest China	246	16.04
Southwest China	110	-6.78
Export sales	3,090	-11.54
Total	36,887	-6.05

IV. OPERATION PLAN FOR THE SECOND HALF OF THIS YEAR

1. Continue to implement measures to reduce the costs and enhance efficiency, and endeavor to achieve the annual target of turning loss into profitability.
2. Continue to strengthen the marketing and customer service of technology, actively explore the potential of market demand through seeking new projects, stabilize and expand the customer resources.
3. Based on the guiding principle of “expand the scale, focus on stability, ensure the efficiency”, guarantee the production and operation in the second half of this year.
4. Focus on international and domestic key construction and projects with more efforts put on the development of new products, scientific innovation and profitability of products.
5. Step up efforts in energy-saving and emission reduction, promote in-depth development.
6. Build an energy-saving and environmental-friendly iron and steel enterprises, promote the recycling economy and cleaner production, coordinate the economic growth with environmental protection and realize sustainable development.

V. ANALYSIS ON THE CORE COMPETITIVENESS

With the continuous improvement of the Company's level of technologies and equipment as well as R&D capability in recent years, the Company possesses relatively strong R&D capability in respect of the steel plates for automobiles, marine, railway, power, petroleum and petrochemical, machinery, construction, light industry and other industries, and developed a series of leading strategic products and core technology with independent intellectual property rights.

1. Core technologies of the products

(1) Steel plates for automobiles

The Company produces advanced high-strength steel products (in particular the dual-phase steel and phase transformation induced plasticity steel), traditional high-strength steel products (in particular the hardened steel and low alloy high strength steel), advanced steel plates for surface (in particular the O5 plate) and deep drawing steel products (in particular the St16), and these products achieved bulk supply. Besides, the Company developed the new generation steel plates for automobiles (in particular the TWIP steel and QP steel) and is bringing the products into the market. Meanwhile, the Company conducted research on the technology of steel plates for automobiles, able to provide EVI technical services from materials selection to the design of body structure.

V. ANALYSIS ON THE CORE COMPETITIVENESS *(CONTINUED)*

1. Core technologies of the products *(continued)*

(2) Steel plates for nuclear power purposes

Breakthrough has been made in the development of steel plates for nuclear power purposes, development of three series of steel plates for nuclear power purposes including steel plates for nuclear reactor safety shells, nuclear island key equipment and nuclear power supporting components have been completed. Pioneered in establishing quality assurance system for the steel plates for nuclear power purposes in China, the national mandatory standard namely "Steel Plates for Nuclear Power Purposes Part 1: Carbon Steel and Low Alloy" (《核電站用鋼板第1部分：碳素鋼和低合金》) edited by the Company has been approved by the state which conferred the Company with an authoritative role in terms of the technical knowhow of steel plates for nuclear power. Realized sole production of nuclear grade-one products of 15MnNi steel for supporting the nuclear island and solely undertook the contract of SA-738Gr.B steel for nuclear reactor safety shells in the national demonstration nuclear power project, being the first CAP1400 in the world. The Company has achieved great progress in the development of Ni series steel, and has become the sole domestic bulk supplier of 5Ni steel plates in China, the quality control of which has met the standards of 6σ . It has also become the first producer and supplier to have a complete integrated technology chain of 9Ni steel plates domestically.

(3) Steel plates for hull and marine engineering purposes

Pioneered in completing development and certification of TMCP steel plates for ultra thick high-strength, ultra-high-strength hull and marine engineering purposes, and the production technology level has reached the internationally leading standard. Pioneered in passing FQ70 (the highest-grade certification of the steel plates for marine engineering purpose). The Company has become the sole supplier of icebreaker with the domestic independent design and construction for the first time and has supplied more than 600,000 tons of TMCP steel plates for ultra thick high-strength, ultra-high-strength hull and marine engineering purposes.

V. ANALYSIS ON THE CORE COMPETITIVENESS *(CONTINUED)*

1. Core technologies of the products *(continued)*

(4) Steel plates for high-speed train purposes

Pioneered in preparing procurement specifications of steel plates for high-speed train bogies which is suitable for the national conditions of China, the Company successfully launched the experimental application of localized steel plates for high-speed train bogies, delivering products and core technology with independent intellectual property rights. To date, the Company is the only supplier of steel plates for high-speed train bogies.

(5) Steel plates for bridge purposes

Paint-free weather-proof steel plate GR.50W has been successfully used in American Alaska arctic region, and the Company pioneered in the mass application of weather-proof steel plate in bridge constructions. The ratio of steel in the Grade Q500 bridges was one of the earliest to pass the technological assessment of Ministry of Railways.

(6) Acid-resistant steel plate

The Company's development of the acid-resistant steel plate Q345NS fully satisfies the needs of upgrading of its gas pipeline network in the production area. Over 50 km of the gas pipe network had been established in the upper air in the production area of Angang, saving paint and labor maintenance costs. The results of laboratory rapid corrosion experiment and on-site observation and experiment show the anti-corrosion quality of acid-resistant steel plate Q345NS is seven times that of Q345B, therefore, the life span of the gas pipeline network of Angang can be increased from 10 years to over 30 years, saving paint and labor maintenance costs and beautify the environment of the production area of Angang at the same time.

V. ANALYSIS ON THE CORE COMPETITIVENESS *(CONTINUED)*

1. Core technologies of the products *(continued)*

(7) Oriented silicon steel

The research and development efforts on our oriented silicon steel have achieved great progress by transforming it into mass production. The mass production process of serial No. 30GO120 and No. 30HIB120 have taken place, while serial No. 27HiB100 is in small scale production. Being the only enterprise participating in the project of “developing industrial steel containing high level of silicon for ultra-low iron loss transformers” (超低鐵損變壓器用高矽電工鋼開發), we have been subsidized through the 863 program of the state, and our research and development on oriented silicon steel are conducted on an advanced level in China.

(8) Steel for pipelines

We have successfully developed the X80-grade anti-high deformation steel for pipelines, and completed the pilot production and supply of thousand tons of products which have been examined and approved by the Xi'an Pipe Material Research Institute (西安管材所) and jointly verified by the China National Petroleum Corporation (中石油) and the China Iron and Steel Association. These have made the Company one of the two steel enterprises which are able to supply such products. Our pipelines which are produced with X80-grade anti-high deformation steel plates have been approved by the Alaska Pipeline Project (阿拉斯加管道項目), making the Company the only Chinese steel factory which has passed the accreditation of the Alaska Pipeline Project Engineering Project (阿拉斯加管線工程項目). The Company successfully developed X80 thick pipeline steel plate for wide calibre pipes of $\varphi 1,422$ mm and passed the examination and assessment of Xi'an Pipe Material Research Institute. With that the Company was enlisted on the list of the plants for trial production of “China-Russia Pipeline Project”, making the Company a leader in research and production of wide and thick pipelines.

V. ANALYSIS ON THE CORE COMPETITIVENESS *(CONTINUED)*

2. Core technologies

(1) Ultrafast cooling technology

The rolling system has opened the routes of slab ultrafast cooling technology, rolling and heating technology by developing and implementing “ultrafast cooling technology” and reduced raw alloy addition and accordingly saved costs significantly and achieved reduced alloy addition.

(2) Low carbon aluminum killed steel new-type deoxidizing alloying technology (低碳鋁鎮靜鋼新型脫氧合金化工藝), technology of alloying directly by manganese for converter tapping and other technologies

The smelting system reduces deoxidation aluminum consumption and improves the ferromanganese closing rate and significantly reduces alloying costs by developing low carbon aluminum killed steel new-type deoxidizing alloying technology, the technology of alloying directly by manganese for converter tapping and other technologies.

V. ANALYSIS ON THE CORE COMPETITIVENESS *(CONTINUED)*

2. Core technologies *(continued)*

- (3) Technology on shape control of cold-rolled plates (冷軋板形) and system of shape control

We have successfully developed the first industrial application for the shape examination system of cold-rolled plates and the implementation of research and development of the system of shape control in industrial use in China. Besides, we have registered the trademark of “AnShaper” for the technology on “self-research and development as well as industrial application of core technology for the control system of the shape of cold-rolled plates” (冷軋機板形控制系統核心技術自主研發與工業應用). This is our first trademark for specialty technologies which has ended the long-term foreign monopolization on the control system of the shape of cold-rolled plates (冷軋板形控制系統), making China one of the few countries in the world mastering the comprehensive set of shape control technologies for cold-strip steel (冷軋帶鋼) applicable for industrial use. Through controlling the cooling rate and the coolant circuit (冷卻路徑), the system could not only perform the hardening process during production, but could also operate a diversified transformation and produce materials of different types, hence minimising procedures in heat processing and minimizing the use of alloys.

V. ANALYSIS ON THE CORE COMPETITIVENESS *(CONTINUED)*

3. Core technologies of energy-saving, emission reduction and green manufacturing

(1) Tar slag recycling technology

Through approved research project “research on tar slag recycling technology” (焦油渣回配工藝研究), the Company opened the technological route of scientifically utilizing hazardous waste tar slag. By doing so, nearly 10,000 tons of tar slag can be recycled annually therefore the production cost is reduced and the effect is remarkable. Research and application of such technology is the pioneer in the industry, which plays a comprehensive exemplary role in chemical waste recycling treatment.

(2) Technology of recycling of dust and dustwallow of steel plants

The undertaken national project “research on technology of recycling of dust and dustwallow of steel plants” (鋼鐵廠煙塵與塵泥資源化利用技術研究) developed new technologies of treatment and recycling of iron, carbon and zinc from dust and dustwallow as well as comprehensive utilization of dust and dustwallow. All technological resolutions proposed in the project are implemented, reduced 200,000 tons of waste emissions, utilization rate for recycled metallurgical waste containing iron is above 95%. 200,000 tons of dustwallow containing iron were treated during the year with brilliant result.

V. ANALYSIS ON THE CORE COMPETITIVENESS *(CONTINUED)*

3. Core technologies of energy-saving, emission reduction and green manufacturing *(continued)*

- (3) Technology of coking phenol cyanide wastewater treatment

Based on several original scientific research achievements of the Institute of Process Engineering at the Chinese Academy of Sciences, integrated a number of key technologies on its own, significant achievements were made in renovating phase three biological nitrogen removal devices. After renovation of biological nitrogen removal devices, dehydrogenation plant effluent COD \leq 50mg/L, total cyanogen reduced to 0.2mg/L. Such project had passed the achievement identification by China Iron and Steel Association in November 2012, and the key technologies reached international leading standard.

- (4) Steel rolling heating furnace technology with thermal storage and heat transfer

Cooperating with Northeast University and Shanghai Jiade, the Company developed the steel rolling heating furnace technology with thermal storage and heat transfer addressed the shortcomings of domestic heart-storing style heating furnace, such as serious fluctuation in the furnace pressure, short life span of key equipments, unstable production and high production cost. The Company brought out its steel rolling heating furnace technology with thermal storage and heat transfer with independent intellectual property rights, significantly boosted the economical indicators such as energy consumption of steel per ton, oxidization and burning loss, and heating quality, making it one of the pioneers in this technology internationally.

VI. ANALYSIS OF INVESTMENTS

1. External equity investment

(1) External Investments

Investments in the Reporting Period <i>(RMB' million)</i>	Investments in the corresponding period of the previous year <i>(RMB' million)</i>	Change
156	60	160%

Targets of investments

Name of Companies	Principal Activities	The Company's share of interest in investees <i>(%)</i>
Angang Dalian	Production, processing, wholesale and retail sale of steel products and relevant products	100
Dalian Shipbuilding Industry Group Steel Co., Ltd	Disassemble forage vessels, special vessels, offshore service vessels etc.	15

VI. ANALYSIS OF INVESTMENTS *(CONTINUED)*

1. External equity investment *(continued)*

(2) Equity in Financial Enterprises held by the Company

Company name	Company type	Initial investment cost (RMB' million)	Share- holding		Share- holding ratio at the end of the Reporting Period (%)	Book Value at the end of the Reporting Period (RMB' million)	Loss or gain during the Reporting Period (RMB' million)	Accounting item	Source of shares	
			Number of shares held at the beginning of the Reporting Period (million shares)	Number of shares held at the end of the Reporting Period (million shares)						
Angang Financial Company	Others	315	—	20	—	20	600	37	Long-term equity investments	Subscription to the additional issuance

(3) Securities Investment

Stock type	Stock code	Abbreviation	Number of shares held at the beginning of the Reporting Period (million shares)		Shareholding ratio at the beginning of the Reporting Period (%)		Number of shares held at the end of the Reporting Period (million shares)		Shareholding ratio at the end of the Reporting Period (%)		Book Value at the end of the Reporting Period (RMB' million)	Loss or gain during the Reporting Period (RMB' million)	Accounting item	Source of shares
			Initial investment cost (RMB' million)	Reporting Period (million shares)	Reporting Period (%)	Reporting Period (million shares)	Reporting Period (%)							
Shares	600961	Zhuzhou Group (株冶集團)	81	10	1.9	10	1.9	59	0	Available for sale financial assets	Non-public offering			

VI. ANALYSIS OF INVESTMENTS *(CONTINUED)*

2. **The Company did not have any entrusted financial management, derivatives investments and entrusted loans during the Reporting Period.**

3. **Analysis of the major controlled companies and companies with a participating interest**

Unit: RMB' million

Name	Type	Industry	Main products or services	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
ANSC-TKS	Sino-foreign cooperative venture	Steel pressing and processing	Production of rolled hot dip galvanised steel products and alloyed steel plate and strip products, sale of self-produced products and provision of after-sale services	USD132 million	2,483	2,180	2,916	484	411

VII. INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013.

VIII. EMPLOYEES

As at 30 June 2013, the Company had 36,172 employees, of whom 27,994 were production personnel, 339 were sales personnel, 4,326 were technicians, 220 were accounting personnel and 1,589 were administration personnel. Among the employees of the Company, 8,008 held bachelor or higher degrees, representing 22.14% of the total number of employees; 8,862 employees held diplomas, representing 24.50% of the total number of employees and 17,106 employees held the certificates of secondary education, representing 47.29% 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 2013, 27,428 employees were arranged to attend various training courses and among them, 195 senior management members attended training classes for fully promoting the spirit of the Eighteenth National People's Congress of the Communist Party; 139 professional technicians attended youth cadres training class and trainings for specific technology in colleges, to study for master degrees, and assumed a temporary secondment in TAGAL; 507 employees with excellent operating skills attended specific technology and innovation trainings; 26,587 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.

IX. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2013, there was no re-purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries.

X. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

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

XI. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

XII. 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 the unaudited interim financial information of the Company for the six months ended 30 June 2013.

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, the 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.

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

The Company has adopted the code provisions (the “Corporate Governance Code”) set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has periodically reviewed its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code. During the Reporting Period, the Company has complied with all provisions of the Corporate Governance Code and most of the recommended best practices.

II. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation and arbitration during the Reporting Period.

Significant Events *(continued)*

III. TRANSACTION IN ASSETS

1. Acquisition of assets

Counterparty or the ultimate controlling party	The acquired or merged assets	Transaction price (RMB'000)	Progress	Impact on the operation of the Company	Impact on the profit or loss of the Company (RMB'000)	Percentage of the net profit of the assets in the total net profit of the Company (%)	Whether is a connected transaction	Connected relationship with the counterparty (applicable to the connected transaction)
Angang Trade	Assets of the domestic trade business of Angang Trade	92,564	Fully transferred	The transaction did not affect the continuity of the Company's business and the stability of the management of the Company	Relevant business has been consolidated into the account of the Company and profit or loss cannot be calculated separately	—	Yes	Under the same control

2. Disposal of assets

Counterparty	Disposed assets	Date of disposal	Transaction price (RMB'000)	Net profit of the assets contributed to the Company from the beginning of the period to date of disposal (RMB'000)	Impact on the Company	Percentage of the net profit of the assets disposal in the total net profit of the Company (%)	Pricing principle	Whether is a connected transaction	Connected relationship with the counterparty (applicable to the connected transaction)	Whether the property rights of the assets have been fully transferred	Whether the debt involved has been fully transferred
Angang Trade	80% equity interests in Angang Putian	31 January 2013	115,279	-477	The transaction did not affect the continuity of the Company's business and the stability of the management of the Company	-0.68	Based on the appraisal results issued by the valuer qualified in engaging in securities business	Yes	Under the same control	Yes	Yes
Angang Holding	45% equity interests in Angang Tiantie	31 January 2013	113,850	-2,880	The transaction did not affect the continuity of the Company's business and the stability of the management of the Company	-4.10	Based on the appraisal results issued by the valuer qualified in engaging in securities business	Yes	Controlling shareholder	Yes	Yes

3. Business Combinations

None.

IV. IMPLEMENTATION AND IMPACT ON THE SHARE-BASED INCENTIVES OF THE COMPANY

Not applicable.

V. MAJOR CONNECTED TRANSACTIONS

1. Continuing connected transactions related to daily operations

A.	Related party:	Angang Holding Group
	Connected relationship:	Controlling shareholder of the Company
	Disclosure date:	17 April 2012
	Reference of disclosure:	Announcement on the Estimated Continuing Connected Transactions from 2012 to 2013 of Angang Steel Company Limited (《鞍鋼股份有限公司關於2012-2013年度日常關聯交易預計公告》)
	Settlement method of connected transaction:	money payment

Significant Events *(continued)*

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Continuing connected transactions related to daily operations *(continued)*

A. *(continued)*

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB* million)	As a percentage of similar transaction amount (%)
Procurement of principal raw materials from the related party	Iron concentrate	Not higher than the average import price reported to the PRC customs in the second month preceding the month of the transaction (T-2), plus the railway transportation cost from Bayuquan Port to the Company, and adjusted based on the average weighted grade of the iron concentrate imported by the Company, in the second month preceding the month of the transaction (T-2). For every one percentage point increase or decrease in the grade of iron concentrate, the price shall be increased or decreased by RMB10/tonne. A discount equal to 5% of the average import price reported to the PRC customs in the second month preceding the month of the transaction (T-2) months shall apply on the price determined pursuant to the formula set out above. (T stands for the current month).	RMB800/tonne	2,631	44.81
	Pellet	Market price	RMB916/tonne	2,651	100.00
	Sinter ore	The price of iron concentrate plus processing cost in the preceding two months (T-2), the processing cost of which should not be higher than that of similar products produced by the Company.	RMB875/tonne	1,360	100.00
	Scrap steel	Market price	—	89	71.60
	Billets		—	91	99.18
	Alloy and non-ferrous metal		—	45	2.64
	Sub-total		—	—	6,867
Procurement of energy and power from the related party	Electricity	State price	RMB0.45/Kwh	725	27.83
	Water	State price	RMB2.67/tonne	29	24.86
	Steam	Cost of production plus gross profit margin of 5%	RMB38.54/GJ	18	100.00
	Sub-total	—	—	772	28.19
Purchase of ancillary products from the related party	Lime stone	Not higher than the selling prices offered by relevant members of Angang Holding Group to independent third parties.	RMB56.82/tonne	82	73.15
	Lime powder		RMB398.76/tonne	379	89.53
	Refractory materials		—	238	34.66
	Other ancillary materials		—	68	5.62
	Spare parts		—	165	13.36
	Sub-total		—	—	932

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Continuing connected transactions related to daily operations *(continued)*

A. *(continued)*

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Purchase of support services from the related party	Railway transportation	State price	—	328	58.91
	Road transportation	Market price	—	182	79.26
	Agency services: Import of raw materials, equipment, components and ancillary materials; Export of products; Domestic sales of products	Commission not higher than 1.5% (not more than the commissions levied by major state-owned import and export companies of China)	—	52	100.00
	Repair and maintenance of equipment	Market price	—	497	65.87
	Design and engineering services		—	290	41.36
	Education facilities, vocational education, on-the-job training, translation work		—	0.8	32.82
	Newspaper and other publications	State price	—	0.2	19.01
	Telecommunication business and services, information system	State price or depreciation plus maintenance costs	—	13	67.48
	Production assistance and maintenance	Expenses of labour, materials and management as paid based on market prices	—	484	71.15
	Welfare assistance and maintenance		—	94.5	81.90
	Company vehicle services	Market price	—	0.5	50.72
	Environmental protection and security inspection services	State price	—	1	97.89
	Business reception and meeting	Market price	—	1	38.02
	Supply of heating	State price	—	—	—
	Greening services	Expenses of labour, materials and management as paid based on market prices	—	10	100.00
	Security services		—	21	78.56
Sub-total	—	—	—	1,975	62.35

Significant Events *(continued)*

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Continuing connected transactions related to daily operations *(continued)*

A. *(continued)*

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB* million)	As a percentage of similar transaction amount (%)
Sale of goods to the related party	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 by 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.	RMB4,016/ tonne	149	1.26
	Heavy plates		RMB3,277/ tonne	195	5.42
	Wire rods		RMB3,301/ tonne	22	1.03
	Heavy section		RMB4,640/ tonne	3	0.19
	Hot-rolled sheets		RMB3,326/ tonne	654	5.04
	Medium plates		RMB3,279/ tonne	40	5.17
	Galvanized steel sheets		RMB3,922/ tonne	15	0.61
	Colour coated sheets		RMB6,690/ tonne	1	0.13
	Seamless steel pipes		RMB3,615/ tonne	5	0.74
	Molten iron		RMB2,219/ tonne	12	100.00
	Coke		—	34	100.00
	Chemical by-products		—	75	7.37
	Sub-total		—	—	1,205
Sale of scrap steel and abandoned material to the related party	Scrap steel	Market price	—	55	98.20
	Abandoned material		—	4	20.97
	Obsolete assets or idle assets	Market price or appraised price	—	0.2	100.00
	Sub-total	—	—	59.2	78.07

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Continuing connected transactions related to daily operations *(continued)*

A. *(continued)*

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)	
Sale of comprehensive services to the related party	Fresh water	State price	RMB3.00/tonne	23	98.07	
	Clean recycled water	Market price or production cost plus a gross profit margin of 5%	RMB0.74/tonne	9	99.97	
	Soft water		RMB4.90/tonne	0.2	100.00	
	Gas		RMB54.53/GJ	222	80.79	
	Blast furnace gas		RMB4.00/GJ	17	100.00	
	Steam		RMB47.50/GJ	15	97.90	
	Nitrogen		RMB237.50/km ³	1.6	33.76	
	Oxygen		RMB423.11/km ³	1.7	15.62	
	Argon		RMB365.17/km ³	0.4	14.95	
	Compressed air		RMB105.97/km ³	0.5	100.00	
	Used hot water		RMB19.24/GJ	27	90.98	
	Product testing service		Market price	—	1.7	86.13
	Transportation service			—	0.2	100.00
		Sub-total	—	—	319.3	38.75
Reasons for the continuing connected transactions:	As production in the iron and steel industry is on a continuous basis, Angang Holding Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of supply chain of the Company. In the meantime, its internal subsidiaries have a high technological level and service capabilities, which can provide necessary support services and financial services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Holding Group which is a client of the Company.					

Significant Events *(continued)*

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Continuing connected transactions related to daily operations *(continued)*

B.	Related party:	Angang Financial Company
	Connected relationship:	controlled indirectly by the controlling shareholder of the Company
	Disclosure date:	17 April 2012
	Reference of disclosure:	Announcement on Connected Transaction of Providing Financial Services for the Company by Angang Financial Company (《鞍鋼股份有限公司關於鞍鋼集團財務有限責任公司為本公司提供金融服務的關聯交易公告》)
	Settlement method of connected transaction:	money payment

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Financial services provided by the related party	Interest on deposits	State price	—	3	25.35
	Maximum daily balance of deposit (including accrued interests)	—	—	5,795	—
	Loan balances	—	—	2,410	—
	Interest payable on loans and discounted bills	State price	—	113	14.38
	Entrusted loan balances	—	—	0	—
	Interest payable on entrusted loans	Not higher than the interest rate obtained by the Group from commercial banks during the same period	—	—	31

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Continuing connected transactions related to daily operations *(continued)*

C.	Related party:	Pangang Vanadium & Titanium Group
	Connected relationship:	controlled indirectly by the controlling shareholder of the Company
	Disclosure date:	17 April 2012
	Reference of disclosure:	Announcement on the Estimated Continuing Connected Transactions from 2012 to 2013 of Angang Steel Company Limited (《鞍鋼股份有限公司關於2012-2013年度日常關聯交易預計公告》)
	Settlement method of connected transaction:	money payment

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Purchase of raw materials from the related party	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)	RMB792/tonne	543	9.25
	Alloy	Market price	—	37	2.20
	Total		—	580	7.68

Reasons for the continuing connected transactions:

Anqian Mining, owned by Pangang Vanadium & Titanium, has supplied iron concentrate for the Company for several years, and Pangang Vanadium & Titanium supplies alloy for the Company at the market price, which provides guarantee for the Company obtaining continuous and stable supply of raw materials.

Significant Events *(continued)*

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

2. Connected transactions of assets acquisition and disposal

Party	Relationship	Type	Content	Pricing Principle	Book value of transferred assets (RMB'000)	Appraised value of transferred assets (RMB'000)	Fair market value (RMB'000)	Transfer price (RMB'000)	Settlement	Loss or profit (RMB'000)
Angang Trade	Under the same control	Asset Acquisition	Assets of the domestic trade business of Angang Trade	Based on the appraisal results issued by the valuer qualified in engaging in securities business	65,852	92,564	92,564	92,564	Replacement of assets, while the balance would be supplemented by cash	-206
Angang Trade	Under the same control	Asset Disposal	Disposal of 80% equity interests in Angang Putian	Based on the appraisal results issued by the valuer qualified in engaging in securities business	120,000	115,279	115,279	115,279		0
Angang Holding	Controlling shareholder	Asset Disposal	Disposal of 45% equity interests in Angang Tiantie	Based on the appraisal results issued by the valuer qualified in engaging in securities business	166,500	113,850	113,850	113,850	Cash	3,790

3. Connected transactions of joint external investment

Joint parties	Connected relationship	Pricing price	Investee	Principal business of the investee	Register red capital of the investee	Total assets of the investee (RMB'000)	Net assets of the investee (RMB'000)	Net profit of the investee (RMB'000)
Angang Group Company and Pangang Vanadium & Titanium	Controlling shareholder, under the same control	Based on the appraisal result	Angang Financial Company	Provision of finance and fund raising services to members of the group; assistance in the receipt and payment of transaction accounts to members of the group; provision of guarantee to members of the group; provision of entrusted loans and entrusted investment services to members of the group; acceptance and discounting of bills for members of the group	RMB1,000 million before the capital increase	1,238,600 (at the end of 2012)	283,500 (at the end of 2012)	39,100 (at the end of 2012)

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

4. Claims or obligations

There were no claims or obligations for non-operating purpose during the Reporting Period.

As at 30 June 2013, the bank borrowings of RMB10 million of the Group was guaranteed by Angang Holding.

5. Other material connected transactions

On 31 May 2013, the resolution in relation to the Supply of Materials and Services Agreement (2014-2015) entered into by the Company and Angang Holding and the resolution in relation to the Supply of Materials Agreement (2014-2015) entered into by the Company and Pangang Vanadium & Titanium were considered and approved at the 2012 annual general meeting of the Company.

Significant Events *(continued)*

VI. 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.

VII. UNDERTAKINGS

There were no undertakings in the Reporting Period.

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

This interim financial report has not been audited.

IX. EXPLANATION ON OTHER SIGNIFICANT EVENTS

There are no explanations on other material events of the Company.

Movements in Share Capital and Shareholding of Substantial Shareholders

I. SHARE CAPITAL STRUCTURE

As at 30 June 2013, the structure of share capital 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	Bonus shares	Shares transferred from accumulated fund	Subtotal	Number	Percentage (%)
I. Shares subject to trading moratorium	111,555	0.00	—	—	—	4,635	4,635	116,190	0.00
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Including: shares held by									
domestic legal persons	—	—	—	—	—	—	—	—	—
Shares held by									
domestic natural persons	—	—	—	—	—	—	—	—	—
4. Foreign investment shares	—	—	—	—	—	—	—	—	—
Including: shares held by									
overseas legal persons	—	—	—	—	—	—	—	—	—
Shares held by									
overseas natural persons	—	—	—	—	—	—	—	—	—
5. Senior management shares	111,555	0.00	—	—	—	4,635	4,635	116,190	0.00
II. Shares not subject to trading moratorium	7,234,696,292	100.00	—	—	—	-4,635	-4,635	7,234,691,657	100.00
1. Renminbi ordinary shares	6,148,896,292	84.99	—	—	—	-4,635	-4,635	6,148,891,657	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: Reasons for movement in shares:

According to the relevant rules, following the resignation of Mr. Fu Jihui the former director cum secretary to the Board during the Reporting Period, all shares of the Company held by him became subject to trading moratorium for six months. Therefore, the number of shares subject to trading moratorium increased by 4,635 shares as at the end of the Reporting Period.

II. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY

As of 30 June 2013, the total number of shareholders of the Company was 179,834, among them 615 were holders of H shares.

Details of top ten shareholders

Name of shareholders	Nature of shareholder	Percentage of shareholdings (%)	Number of shares				Number of shares pledged or frozen	
			as at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Status of shares	Amount
Angang Iron and Steel Group Complex*	State-owned legal person	67.29	4,868,547,330	0	—	4,868,547,330	—	—
HKSCC (Nominees) Limited	Overseas legal person	14.83	1,073,092,275	-144,951	—	1,073,092,275	—	—
Industrial and Commercial Bank of China — Huan Middle-Small Growth Equity Securities Investment Fund								
(中國工商銀行—華安中小盤成長股票型證券投資基金)	Others	0.29	21,000,000	+21,000,000	—	21,000,000	—	—
# Luo Yun (駱雲)	Domestic natural person	0.21	15,533,240	+15,533,240	—	15,533,240	—	—
Credit Suisse (Hong Kong) Limited	Overseas legal person	0.21	15,007,825	+12,150,803	—	15,007,825	—	—

II. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (CONTINUED)

Details of top ten shareholders (continued)

Name of shareholders	Nature of shareholder	Percentage of shareholdings (%)	Number of shares		Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Number of shares pledged or frozen	
			as at the end of the Reporting Period	Increase/decrease during the Reporting Period			Status of shares	Amount
Liang Yaohui (梁耀輝)	Domestic natural person	0.18	12,993,045	+1,053,400	—	12,993,045	—	—
An-Bang Insurance Group Co., Ltd. - Traditional insurance products	Others	0.15	10,962,000	0	—	10,962,000	—	—
# Li Yulan (李玉蘭)	Domestic natural person	0.15	10,751,237	+3,373,420	—	10,751,237	—	—
Yingkou Xinda Investment Company Limited (營口鑫達投資有限公司)	Domestic non-state-owned legal person	0.13	9,523,087	0	—	9,523,087	—	—
Zhang Mucheng (張沐城)	Domestic natural person	0.12	9,000,000	+9,000,000	—	9,000,000	—	—

Explanations on the connected relationship or concert party relationship among the shareholders disclosed above

The Company is not aware of any connected relationship among the shareholders disclosed above or any such shareholders acting in concert within the meaning of the Procedures on the Administration of Information Disclosure for Change in Shareholdings of the Shareholders of Listed Companies.

II. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (CONTINUED)

Shareholdings of the top 10 shareholders not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium at the end of the Reporting Period	Type of share	
		Type of share	Amount
Angang Iron and Steel Group Complex*	4,868,547,330	Renminbi ordinary shares	4,868,547,330
HKSCC (Nominees) Limited	1,073,092,275	Overseas listed foreign shares	1,073,092,275
Industrial and Commercial Bank of China — Huan Middle-Small Growth Equity Securities Investment Fund (中國工商銀行—華安中小盤成長股票型證券投資基金)	21,000,000	Renminbi ordinary shares	21,000,000
# Luo Yun (駱雲)	15,533,240	Renminbi ordinary shares	15,533,240
Credit Suisse (Hong Kong) Limited	15,007,825	Renminbi ordinary shares	15,007,825
Liang Yaohui (梁耀輝)	12,993,045	Renminbi ordinary shares	12,993,045
An-Bang Insurance Group Co., Ltd. — Traditional insurance products	10,962,000	Renminbi ordinary shares	10,962,000
# Li Yulan (李玉蘭)	10,751,237	Renminbi ordinary shares	10,751,237
Yingkou Xinda Investment Company Limited (營口鑫達投資有限公司)	9,523,087	Renminbi ordinary shares	9,523,087
Zhang Mucheng (張沐城)	9,000,000	Renminbi ordinary shares	9,000,000

Explanations on the connected relationship or concert party relationship among the top 10 shareholders not subject to trading moratorium, and the top 10 shareholders not subject to trading moratorium and the top 10 shareholders

The Company is not aware of any connected relationship among the shareholders disclosed above or any such shareholders acting in concert within the meaning of the Procedures on the Administration of Information Disclosure for Change in Shareholdings of the Shareholders of Listed Companies.

The top 10 shareholders and the top 10 shareholders not subject to trading moratorium of the Company did not make any agreed repurchase transactions during the Reporting Period.

III. MOVEMENTS OF CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

There was no movement of controlling shareholders or de facto controller of the Company during the Reporting Period.

IV. INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS AND OTHERS

Save as disclosed below, as at 30 June 2013, no other person (other than the Company's Directors, Supervisors and senior management) had any interest or short position in the shareholders or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO of Hong Kong:

Interest in ordinary shares of the Company

Name of shareholder	Number and class of shares held	Percentage	Percentage	Percentage	Capacity
		in total share capital (%)	in total issued H shares (%)	in total issued domestic shares (%)	
Angang Iron & Steel Group Complex*	4,868,547,330 state-owned shares	67.29	—	79.18	Beneficial owner
HKSCC (Nominees) Limited	1,073,092,275 H shares	14.83	98.83	—	Nominee

I. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	No. of Shares	Increase in	No. of Shares	Shares Held at
		Held at the	Shareholding	Reduced in	the End of the
		Beginning of	in the Current	the Reporting	Reporting
		the Reporting	Reporting	Period	Period
		Period	Period	Period	Period
		(shares)	(shares)	(shares)	(shares)
Zhang Xiaogang	Chairman/Director	10,000	—	—	10,000
Yang Hua	Vice Chairman/Director	10,000	—	—	10,000
Chen Ming	Vice Chairman/Director General Manager	10,610	—	—	10,610
Yu Wanyuan	Director	26,317	—	—	26,317
Li Shijun	Independent non-executive Director	0	—	—	0
Ma Guoqiang	Independent non-executive Director	0	—	—	0
Kwong Chi Kit, Victor	Independent non-executive Director	0	—	—	0
Su Wensheng	Chairman of the Supervisory Committee	10,000	—	—	10,000
Shan Mingyi	Supervisor	15,124	—	—	15,124
Bai Hai	Supervisor	0	—	—	0
Wang Yidong	Deputy General Manager	10,200	—	—	10,200
Liu Baoshan	Deputy General Manager	15,000	—	—	15,000
Zhang Lifen	Deputy General Manager	11,000	—	—	11,000
Ma Lianyong	Chief Accountant/ Secretary to the Board	10,000	—	—	10,000
Ren Ziping	Chief Engineer	24,000	—	—	24,000
Liu Jun	Deputy General Manager	0	—	—	0
Chen Guofeng	Deputy General Manager	0	—	—	0

Notes: All the shares disclosed above are A shares of the Company listed on the Shenzhen Stock Exchange, among which the shares held by Yu Wanyuan are through of family interest (held by his spouse); part of the shares held by Chen Ming and Shan Mingyi are through family interest (held by their spouses) and part are held in the capacity of individual beneficial owner; the rest of the others held the shares in the capacity of individual beneficial owners.

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 2013, none of the Directors, Supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to notify the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) set out in Appendix 10 of the Hong Kong Listing Rules.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

On 27 March 2013, the appointment of Mr. Chen Guofeng (陳國峰) and Ms. Liu Jun (劉軍) as deputy general managers of the Company were approved at the 43rd meeting of the fifth session of the Board of the Company.

On 15 May 2013, the resignation of Mr. Fu Jihui (付吉會) from the positions of Director and secretary to the Board was approved at the 46th meeting of the fifth session of the Board of the Company.

On 15 May 2013, the appointment of Mr. Ma Lianyong (馬連勇) as secretary to the Board was approved at the 46th meeting of the fifth session of the Board of the Company.

Consolidated Balance Sheet

As at 30 June 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Assets	Note	30 Jun. 2013	31 Dec. 2012
Current assets:			
Cash at banks and on hand	7(1)	1,893	2,049
Trading financial assets			
Notes receivable	7(2)	7,122	9,198
Account receivables	7(3)	1,568	2,247
Prepayments	7(5)	2,454	2,806
Dividend receivable	7(6)	8	7
Other receivables	7(4)	94	40
Inventories	7(7)	11,119	10,642
Non-current assets due within 1 year			
Other current assets			
Total current assets		24,258	26,989
Non-current assets:			
Available-for-sale financial assets	7(8)	59	101
Long-term equity investments	7(9)	2,783	2,740
Investment properties			
Fixed assets	7(10)	46,545	51,257
Construction in progress	7(11)	5,224	9,736
Construction material	7(12)	17	243
Intangible assets	7(13)	6,196	6,677
Deferred income tax assets	7(14)	3,034	3,494
Other non-current assets			
Total non-current assets		63,858	74,248
Total assets		88,116	101,237

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Liabilities and shareholders' equity	Note	30 Jun. 2013	31 Dec. 2012
Current liabilities:			
Short-term loans	7(16)	9,990	15,130
Notes payable	7(17)	585	3,260
Account payables	7(18)	10,655	5,821
Advances from customers	7(19)	5,029	4,386
Employee benefits payable	7(20)	398	312
Tax and surcharges payable	7(21)	(500)	(1,240)
Interest payables	7(22)	123	96
Other payables	7(23)	1,932	2,684
Non-current liabilities due			
within 1 year	7(24)	1,271	7,501
Other current liabilities	7(25)	3,005	6,005
Total current liabilities		32,488	43,955
Non-current liabilities:			
Long-term loans	7(26)	3,713	8,364
Bonds payable	7(27)	4,000	
Deferred income tax liabilities	7(14)	23	28
Other non-current liabilities	7(28)	822	661
Total non-current liabilities		8,558	9,053
Total liabilities		41,046	53,008

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Balance Sheet (continued)

As at 30 June 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Liabilities and shareholders' equity (Continued)	Note	30 Jun. 2013	31 Dec. 2012
Shareholders' equity:			
Share capital	7(29)	7,235	7,235
Capital reserve	7(30)	31,140	31,465
Special reserve	7(31)	66	44
Surplus reserves	7(32)	3,580	3,570
Undistributed profits	7(33)	4,984	4,284
Subtotal of Shareholders' equity attributable to shareholders of parent company		47,005	46,598
Minority interests		65	1,631
Total shareholders' equity		47,070	48,229
Total liabilities and shareholders' equity		88,116	101,237

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Income Statement

Items	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
1. Operating income		36,922	39,378
Including: Operating income from main business	7(34)	36,922	39,378
2. Operating costs		36,628	42,395
Including: Operating costs for main business	7(34)	32,423	38,325
Business tax and surcharges	7(35)	122	67
Marketing expenses	7(36)	790	658
Administrative expenses	7(37)	1,744	1,473
Financial expenses	7(38)	707	856
Impairment losses on assets	7(40)	842	1,016
Add: gains/losses from fair value variation			
Investment income	7(39)	284	201
Including: Income from investment in joint ventures and associates		261	201
3. Operating profit		578	(2,816)
Add: Non-operating income	7(41)	74	50
Less: Non-operating expenses	7(42)	20	13
Including: Losses on non- current assets disposal		19	13
4. Profit before income tax		632	(2,779)
Less: Income tax expenses	7(43)	(56)	(699)

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Income Statement (continued)

For the 6 months ended 30 June 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
5. Net profit for the period		688	(2,080)
Net profit attributable to shareholders of parent company		702	(1,976)
Gains/losses attributable to minority shareholders		(14)	(104)
6. Earning per share			
(1) Basic earnings per share (RMB Yuan/share)	7(44)	0.097	(0.273)
(2) Diluted earnings per share (RMB Yuan/share)	7(44)	0.097	(0.273)
7. Other comprehensive income	7(45)	(32)	3
8. Total comprehensive income		656	(2,077)
Share of total comprehensive income attributable to shareholders of parent company		670	(1,973)
Share of total comprehensive income attributable to minority interest		(14)	(104)

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Cash Flow Statement

Items	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
1. Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		36,844	37,151
Refund of tax and fare		12	262
Other cash received from operating activities	7(46)	128	40
Sub-total of cash inflows		36,984	37,453
Cash paid for goods and services		23,115	33,516
Cash paid to and for the employees		1,557	1,284
Cash paid for all types of taxes		953	348
Other cash paid for operating activities	7(46)	696	585
Sub-total of cash outflows		26,321	35,733
Net cash flow from operating activities		10,663	1,720

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Cash Flow Statement (continued)

For the 6 months ended 30 June 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
2. Cash flows from investing activities			
Cash received from return of investments			
Cash received from investment income		400	204
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		2	1
Net cash received from disposal of subsidiaries and other operating units			
Other cash received from investment activities	7(46)	905	18
Sub-total of cash inflows		1,307	223
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		1,100	1,692
Cash paid for acquisition of investments		46	61
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities			
Sub-total of cash outflows		1,146	1,753
Net cash flow from investing activities		161	(1,530)

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Items	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
3. Cash flows from financing activities			
Cash received absorbing investments			300
Including: received of subsidiary from minority shareholders			300
Cash received from borrowings		15,564	38,161
Other cash received from financing activities			
Sub-total of cash inflows		15,564	38,461
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
Cash paid for settling of debts		25,646	37,091
Cash paid for distribution of dividends or profit and repayment of interests		898	1,305
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities			
Sub-total of cash outflows		26,544	38,396
Net cash inflow from financing activities		(10,980)	65
5. Net increase in cash and cash equivalents			
Add: Cash and cash equivalents brought forward	7(47)	(156)	255
	7(47)	2,049	2,341
6. Cash and cash equivalents carried forward	7(47)	1,893	2,596

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Statement of changes in shareholders' equity

As at 30 June 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	As at 30 June 2013								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. 2012	7,235	31,465		44	3,570		4,284		1,631	48,229
Add: Changes of accounting policy										
Correction of prior year errors										
Others										
2. Balance as at 1 Jan. 2013	7,235	31,465		44	3,570		4,284		1,631	48,229
3. Increase/decrease in 2013 ("-" represents loss)		(325)		22	10		700		(1,566)	(1,159)
(1) Net profit							702		(14)	688
(2) Other comprehensive income		(32)								(32)
Subtotal of (1) and (2)		(32)					702		(14)	656
(3) Capital introduced or withdrawn by owners		(293)			10		133		(1,552)	(1,702)
i. Capital introduced by owners		(293)			10		133		(1,552)	(1,702)
ii. Amount of shares-based payment recorded in owner's equity										
iii. Others										
(4) Profit distribution							(135)			(135)
i. Transfer to surplus reserve										
ii. Transfer to general risk reserve										
iii. Distribution to shareholders										
iv. Others							(135)			(135)
(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				22						22
i. Extracts of this period				31						31
ii. Usage of this period				(9)						(9)
4. Balance as at 30 Jun. 2013	7,235	31,140		66	3,580		4,984		65	47,070

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Statement of changes in shareholders' equity (continued)

Items	As at 31 December 2012							Others	Minority interests	Total of shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk reserve	Undistributed profit			
1. Balance as at 31 Dec. 2011	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. 2012	7,235	31,458		47	3,570		8,441		1,554	52,305
3. Increase/decrease in 2012										
("-" represents loss)		7		(3)			(4,157)		77	(4,076)
(1) Net profit							(4,157)		(223)	(4,380)
(2) Other comprehensive income		7								7
Subtotal of (1) and (2)		7					(4,157)		(223)	(4,373)
(3) Capital introduced or withdrawn by owners									300	300
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					(3)					(3)
i. Extracts of this period					65					65
ii. Usage of this period					(68)					(68)
4. Balance as at 31 Dec. 2012	7,235	31,465		44	3,570		4,284		1,631	48,229

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Balance Sheet

As at 30 June 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Assets	Note	30 Jun. 2013	31 Dec. 2012
Current assets:			
Cash at banks and on hand		1,282	884
Trading financial assets			
Notes receivable		7,110	9,184
Account receivables	15(1)	2,496	2,288
Prepayments		2,361	2,254
Interests receivable			
Dividends receivable		8	7
Other receivables	15(2)	91	37
Inventories		10,253	9,915
Non-current assets due within 1 year			
Other current assets			
Total current assets		23,601	24,569
Non-current assets:			
Available-for-sale financial assets		59	101
Long-term equity investments	15(3)	3,318	6,010
Fixed assets		46,496	48,161
Construction in progress		4,992	4,554
Construction materials		17	14
Intangible assets		6,088	6,167
Deferred income tax assets		3,018	2,957
Other non-current assets			
Total non-current assets		63,988	67,964
Total assets		87,589	92,533

Legal representative:
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Chief Accountant:
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Comptroller:
Che Chengwei

Liabilities and shareholders' equity	Note	30 Jun. 2013	31 Dec. 2012
Current liabilities:			
Short-term loans		9,990	12,930
Notes payable		520	1,555
Account payables		10,651	5,521
Advances from customers		4,577	4,094
Employee benefits payable		396	312
Tax and surcharges payable		(349)	(739)
Interests payables		123	96
Other payables		1,918	2,157
Non-current liabilities due within 1 year		1,271	6,471
Other current liabilities		3,005	6,005
Total current liabilities		32,102	38,402
Non-current liabilities:			
Long-term loans		3,673	6,274
Bonds payable		4,000	
Deferred income tax liabilities		23	28
Other non-current liabilities		668	623
Total non-current liabilities		8,364	6,925
Total liabilities		40,466	45,327
Shareholders' equity:			
Share capital		7,235	7,235
Capital reserve		31,186	31,465
Special reserve		66	44
Surplus reserves		3,570	3,570
Undistributed profits		5,066	4,892
Total shareholders' equity		47,123	47,206
Total liabilities and shareholders' equity		87,589	92,533

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Income Statement

For the 6 months ended 30 June 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
1. Operating income	15(4)	37,010	38,421
Less: Operating costs for main business	15(4)	32,508	37,196
Business tax and surcharges		121	67
Marketing expenses		758	633
Administrative expenses		1,725	1,400
Financial expenses		691	776
Impairment losses on assets		797	1,012
Add: Gains/losses from fair value variation			
Investment income	15(5)	(328)	201
Including: Income from investment in jointly ventures and associates		261	201
2. Operating profit		82	(2,462)
Add: Non-operating income		72	50
Less: Non-operating expenses		20	13
Including: Losses on non-current assets disposal		19	13
3. Profit before income tax		134	(2,425)
Less: Income tax expenses		(52)	(637)
4. Net profit for the period		186	(1,788)
5. Other comprehensive income		(32)	3
6. Total comprehensive income		154	(1,785)

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Items	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
1. Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		36,255	36,133
Refund of tax and fare		12	262
Other cash received from operating activities		122	38
Sub-total of cash inflows		36,389	36,433
Cash paid for goods and services		23,625	32,161
Cash paid to and for employees		1,536	1,243
Cash paid for all types of taxes		932	340
Other cash paid for operating activities		675	569
Sub-total of cash outflows		26,768	34,313
Net cash flow from operating activities	15(6)	9,621	2,120
2. Cash flows from investing activities			
Cash received from return of investments		1,366	
Cash received from investment income		400	204
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		2	1
Net cash received from the disposal of subsidiaries and other operating units			
Other cash received from investment activities		795	6
Sub-total of cash inflows		2,563	211
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		989	1,208
Cash paid for acquisition of investments		156	61
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities			
Sub-total of cash outflows		1,145	1,269
Net cash flow from investing activities		1,418	(1,058)

Cash Flow Statement (continued)

For the 6 months ended 30 June 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
3. Cash flows from financing activities			
Cash received from absorbing investments			
Cash received from borrowings		15,254	35,668
Other cash received from financing activities			
Sub-total of cash inflows		15,254	35,668
Cash paid for settling of debts		25,030	35,480
Cash paid for distribution of dividends or profit and repayment of interests		865	1,121
Other cash paid for financing activities			
Sub-total of cash outflows		25,895	36,601
Net cash inflow from financing activities		(10,641)	(933)
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
5. Net increase in cash and cash equivalents	15(6)	398	129
Add: Cash and cash equivalents brought forward	15(6)	884	1,183
6. Cash and cash equivalents carried forward	15(6)	1,282	1,312

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Statement of changes in shareholders' equity

Items	As at 31 December 2013							
	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. 2012	7,235	31,465		44	3,570		4,892	47,206
Add: Changes of accounting policy								
Correction of prior year errors								
Others								
2. Balance as at 1 Jan. 2013	7,235	31,465		44	3,570		4,892	47,206
3. Increase/decrease in 2013 ("-" represents loss)		(279)		22			174	(83)
(1) Net profit							186	186
(2) Other comprehensive income		(32)						(32)
Subtotal of (1) and (2)		(32)					186	154
(3) Capital introduced or withdrawn by owners		(247)					123	(124)
i. Capital introduced by owners		(247)					123	(124)
ii. Amount of shares-based payment recorded in owner's equity								
iii. Others								
(4) Profit distribution							(135)	(135)
i. Transfer to surplus reserve								
ii. Transfer to general risk reserve								
iii. Distribution to shareholders								
iv. Others							(135)	(135)
(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				22				22
i. Extracts of this period				31				31
ii. Usage of this period				(9)				(9)
4. Balance as at 30 Jun. 2013	7,235	31,186		66	3,570		5,066	47,123

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Statement of changes in shareholders' equity (continued)

As at 30 June 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	As at 31 December 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. 2011	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. 2012	7,235	31,458		47	3,570		8,748	51,058
3. Increase/decrease in 2012 ("-" represents loss)		7		(3)			(3,856)	(3,852)
(1) Net profit							(3,856)	(3,856)
(2) Other comprehensive income		7						7
Subtotal of (1) and (2)		7					(3,856)	(3,849)
(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								
(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				(3)				(3)
i. Extracts of this period				65				65
ii. Usage of this period				(68)				(68)
4. Balance as at 31 Dec. 2012	7,235	31,465		44	3,570		4,892	47,206

Legal representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

1. COMPANY'S PROFILE

Angang Steel Company Limited (formerly known as Angang New Steel Company Limited) (abbreviated as "the Company") was formally established on the 8th 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 Company ("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 Separation Agreement which took effect from the 1st January 1997, Angang Holding transferred the production, sales, research and development, administration activities of the Plants as well as the relevant assets and liabilities as at the 31st 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 the 22nd July 1997 which were subsequently listed on The Stock Exchange of Hong Kong Limited on the 24th July 1997. The Company also issued 300,000,000 ordinary A shares with a par value of RMB1.00 each on the 16th November 1997 which was subsequently listed on the Shenzhen Stock Exchange on the 25th December 1997.

The Company issued 1.5 billion share convertible bonds in the PRC on the 15th March 2000. The bonds mature on the 14th March 2005. A total of 453,985,697 A shares of the company were transferred from the bonds.

1. COMPANY'S PROFILE *(Continued)*

On the 26th 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. At the same time, ANSI nullified its registration with the Department of Administration for Industry and Commerce.

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

The Company proposed to issue A shares and H 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 trading on Shenzhen Stock Exchange and the Stock Exchange of Hong Kong Limited on the 25th October 2007 and the 14th November 2007 respectively. The Company had obtained the revised business license on the 31st 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, Tie Xi District, Anshan City, Liaoning Province, the PRC.

The Company and its subsidiaries (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 the 29 August, 2013

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 on 15th February 2006 and 38 specific accounting standards, the subsequent application guidelines, interpretations and other related rules (“Enterprise Accounting Standards”), and the disclosure requirements announced by the China Securities Regulatory Commission in “public offering of securities of the Company Information Disclosure Rule No. 15 — Financial Report of the General Provisions” (2010 Amendment).

According to the relevant provisions of 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 the 30th June 2013, the results of operation, the cash flow of the Group for the 6 months ended at 30th June 2013. 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 China Securities Regulatory Commission (“CSRC”) in 2010.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting period

The accounting period of the Group is the calendar year from the 1st January to the 31st December 2013.

(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 common control and the business combinations not under common control.

(a) The business combinations under common control

A business combination under common 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(in) which the control is not temporary. In a business combination under common control, the party which obtains control of the other combining entity on the combining date is the acquirer; the other combining entity is the acquiree. The "acquisition 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 common 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. The capital reserve shall be adjusted 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). 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 for the current period.

(b) The business combinations not under common control

A business combination not under common 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 common 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 of the acquiree.

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

(3) Business combinations *(Continued)*

(b) The business combinations not under common control *(Continued)*

For the business combinations not under common 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 of the acquiree. The direct cost of 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 affect goodwill. The relevant contingent consideration shall be recorded into the combination costs at its fair values at the purchase date, and 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.

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 recognize 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 recognize the difference as profit of the current period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

(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 common 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 common 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 are 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)*

When preparing consolidated financial statements, 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 common 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 intergroup shall be eliminated when preparing the consolidated financial statements.

The portion of the subsidiary's equity and net profit or loss 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 profit or loss 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 in foreign currency exchange or transaction involving foreign currency exchange shall be translated into RMB at the actual exchange rate.

(b) Translation of foreign monetary items and foreign non-monetary items

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 other comprehensive income.

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 (including 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.

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

(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 the current situation. For those where 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. These techniques mainly include referring to prices that are adopted by knowledgeable and willing parties in the 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 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.

(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;

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)*
 - (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.

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.

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.

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

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 subsequently 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.

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 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.

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)*

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 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.

(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 subsequently measured at amortized costs using the effective interest rate method. The gains or losses arising from de-recognition, 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)

- (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 equity shall be transferred to profit or loss at de-recognition.

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.

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

(7) Financial instruments *(Continued)*

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

An impairment test shall be made on the financial assets with significant single amounts. With regard to 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 tested together. Where, upon the 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. 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 an impairment test.

(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

It indicates that the financial asset is impaired when considering related factors shows that the written-down invested fair value of available-for-sale equity instrument is serious or is not temporary. Serious written-down refers to the accumulated extent of decrease on fair value is over 20%; Non temporary written-down refers to continuous decrease period on fair value is over 12 months.

Where such financial asset is impaired, the accumulative losses arising from the decrease of the fair value recognized in the capital reserve shall be transferred to the profit and loss for 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 partial transfer of a 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.

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 for 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 a 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 liabilities shall be subsequently measured at amortized cost by using the effective rate method. The profit or loss that arises at de-recognition and amortization shall be recorded into the profit and loss for 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 account receivables and other 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 have been impaired, an impairment provision shall be made.

(i) The debtor has a serious financial difficulty; (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 restructuring; (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, Account receivables shall be subject to impairment test individually. The difference between the present value of the expected future cash flow of the assets and the carrying value shall be recorded as bad debt allowance. The reduced amount shall be recognized as an impairment loss and recorded into current profits or losses.

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

(8) Account receivables *(Continued)*

(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.

(d) Reversal of bad debt allowance

If objective evidences show that the value of receivables is recovered which relates to the event subsequent to the recognition of impairment loss, previously recognized impairment loss shall be reversed and recorded into current profit and loss. The carrying value after reversal shall not exceed the amortized cost as if no impairment loss has 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. The cost of inventory consists of purchase price, processing cost and other costs. Inventories shall be measured by using the weighted average method, specific-unit-cost method or other method when requisitioned or dispatched.

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 deducted by the estimated cost before completion, estimated selling expense and relevant taxes in the daily operations. The estimation of net realizable value of inventories shall be based on reliable evidence obtained, taking into consideration of the purpose for holding inventories and the effects of events after balance sheet date. At balance sheet date, the inventories shall be measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for impairment shall be made. Except spare parts, impairment of inventory is calculated on an individual item. Impairment of spare parts is calculated according to the actual situation and the management's estimation.

If the factors causing any write-down of 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.
- (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 according to their nature. The amounts of the amortization are recorded in the cost of the related assets or the current profit and loss.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Long-term equity investments

(a) Initial Measurement

For long-term equity investment formed by business combination under common 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 common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed 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 for the current period. Transaction expenses of issued equity securities or liability securities as the consideration for the combination, shall be recorded into the initial cost of the equity securities or liability securities.

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, the fair value or carrying value of the assets surrendered in the non-monetary assets exchange transaction, the fair value of the long-term equity investment itself, etc. The initial cost consists of the expenses directly related to the acquisition of the long-term equity investment, taxes and other necessary expenses.

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

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

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

A long-term equity investment, where the investing entity has 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. Long-term equity investment where the investing entity has joint control or significant influence 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 measured by using the cost method if the Group is able to control the invested entity.

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

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. Long-term investment stated by applying equity method

In the 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 investments and recognition of investment income (Continued)
 - ii. Long-term investment stated by applying equity method (Continued)

In the 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 profits or losses 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 jointly controlled entities and associates 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.8-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 investments 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 continuously measured 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 company disposes part of the investment in subsidiary without losing control, the difference between the disposal proceeds and the net asset disposed shall be recognized in equity. When the parent company 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 recognized 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 an impairment is recognized, it could not be reversed 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 category of fixed assets are as follows:

Category of fixed assets	Useful life	Scrap value rate (%)
Plants and buildings	40 years	3-5
Machinery and equipment	10-19 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.

(c) Method for impairment test and recognition of impairment

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Fixed assets (Continued)

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

The “finance lease” refers to a lease where, in substance, all the risks and rewards related to the ownership of an asset have been transferred 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 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

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 replaced parts shall be derecognized; otherwise, they shall be included in the current profit and loss.

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.

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

(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 the provision of construction in progress, refer Note 15.

(13) Borrowing costs

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 its intended use or sale, the capitalization of borrowing costs shall cease. Other borrowing costs shall be recognized into the current profit and loss.

The interests of 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 weighted average rate of interest of general borrowings.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(13) Borrowing costs (Continued)

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, of which the acquisition, construction or production may take quite a long time to reach the intended use or be qualified for sale.

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

(14) Intangible assets

(a) Intangible assets

The term “intangible asset” refers to the identifiable non-monetary asset possessed or controlled by the Group which has 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 associated with the 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 use right is usually stated as an intangible asset. For self-constructed plants and buildings, the expenditure on land use right 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 use right and plants; if it is impossible to be allocated, all the relevant cost shall be stated as fixed assets.

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

(14) Intangible assets *(Continued)*

(a) Intangible assets *(continued)*

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

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 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 losses 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 losses:

- (i) The technical feasibility to complete the intangible asset for use or sale
- (ii) The intention to complete the intangible asset for use or sale;

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Intangible assets (Continued)

- (b) Expenditure on research and development (continued)
 - (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;
 - (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, and 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 an asset, goodwill formed by business combination, intangible assets with indefinite useful life and intangible assets without reaching the intended use 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 difference 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 from 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 the 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 a 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 single 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 reversed in future accounting periods.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(16) Provisions (Continued)

Provision shall be initially measured at the best estimate of the 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 part of the expenditure necessary for the settlement of an obligation 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 reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision.

(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 relevant 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 the amount that is received or receivable on the contract or agreement.

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

(17) Revenue *(Continued)*

- (b) Revenue from rendering of services

If the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from 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.

The outcome of a transaction of rendering services can be measured reliably when all the following conditions are satisfied simultaneously:

- (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 both selling goods and rendering services shall be separated and accounted respectively, provided that the part of selling goods and part of rendering services can be distinguished from each other and measured respectively. Otherwise, both parts shall be accounted for as a sale of goods.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(17) Revenue (Continued)

(c) Royalty revenue

Royalties should be recognized on an accrual basis in accordance with the substance of the 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

A government grant refers to the monetary asset or non-monetary asset obtained for free by the Group from the government, excluding the capital invested by the government as an owner of the Group. It is classified into government grant pertinent to assets and government grants pertinent to income.

If a government grant is in the form of transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount. The government grant measured at the nominal amount shall be recognized immediately in profit and loss in the current period.

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

(18) Government grant *(Continued)*

A government grant pertinent to assets is recognized initially as deferred income and amortized into profit and loss on a straight-line basis over the useful life of the relevant asset. A grant pertinent to income that compensates the Group for expenses to be incurred in subsequent periods is recognized initially as deferred income and recognized in profit and loss in the periods when the expenses are recognized. A grant that compensates the Group for expenses incurred is recognized in profit and loss immediately.

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 date, 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 period under tax law.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(b) Deferred income tax asset and liability

When there is difference between the carrying value of the assets or liabilities and the tax base, and temporary difference of items that are 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.

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; (ii) The temporary differences are unlikely to be reversed in the expected future.

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)*

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 relating 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 that may be used for making up the deductible temporary differences.

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.

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)

On the balance sheet date, 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 date. 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

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 a 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 for the current period in a straight-line approach over the period of the lease term. Initial direct costs incurred by the lessee shall be recognized in the profit and loss of the current period. 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 for the current period in a straight-line approach over the period of the lease term. Initial direct costs incurred to the lessor shall be recorded into the profit and loss for the current period. 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, and recognize a long term liability at the amount of the minimum lease payments. The difference between the carrying value of the leased asset and the long term liability shall be recognized as unrecognized financing cost. In addition, the directly 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 non-current liability.

The lessee shall adopt the effective interest rate method to calculate and recognize the financing costs in the current period. 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 as financing lease receivables, as well as the unguaranteed residual value. The difference 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 non-current receivables.

The lessor shall calculate the financing income at the current period by adopting the effective interest rate method. 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)*

(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 detailed formal termination plan or a voluntary redundancy offer without realistic possibility of withdrawal 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.

(22) Changes of significant accounting policies and estimates

- (a) As at 30 June 2013, no changes in accounting policies took place in the Group.
- (b) As at 30 June 2013, the changes in accounting estimates are stated as follows.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(22) Changes of significant accounting policies and estimates (Continued)

- (b) As at 30 June 2013, the changes in accounting estimates are stated as follows. (Continued)

Relevant department of the Group has re-evaluated and approved the actual useful lives of each class of fixed assets based on the actual condition thereof, and decided to adjust the depreciation period of its fixed assets since 1 January 2013 upon the approval obtained at the 2012 fifth EGM of the Company, details of which are as follows:

Class of Fixed Assets	Before Change		After Change	
	Estimated useful life (year)	Depreciation rate per year	Estimated useful life (year)	Depreciation rate per year
Property	30	3.17%	40	2.38%
Buildings	30	3.17%	40	2.38%
Conductor facilities	15	6.33%	19	5.00%
Machinery facilities	15	6.33%	19	5.00%
Power equipment	10	9.50%	12	7.92%
Transportation facilities	10	9.50%	10	9.50%
Tools and apparatus	5	19.00%	5	19.00%
Management tools	5	19.00%	5	19.00%

This change of accounting estimates posed no effect on the business scope of the Group, but led to a decrease of RMB589 million in the depreciation of fixed assets and an increase of RMB 442 million in the owner's interest and net profit of the Company in the first half of 2013.

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

(23) Corrections of prior year errors

For the 6 months ended 30th June 2013, 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 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.

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

(a) Provision for doubtful debts

The allowance method is adopted for doubtful debts according to accounting policies. Impairment losses for receivables are assessed based on the recoverability of receivables. The assessment of the impairment losses requires the judgments and estimates of the management. Hence, the difference between actual outcome and the previously estimated outcome can impact the carrying values of receivables and results in recognition or reversal of provisions in the period estimate is changed.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Significant accounting judgments and estimates (Continued)

(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 events after balance date shall be taken into account when making judgments and estimates. Hence, the difference between actual outcome and the previously estimated outcome can impact the carrying value of inventories and results in recognition or reversal of provisions in the period estimate is changed.

(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, 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.

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

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

(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 to contract price for similar asset in a fair trade or observable market price. The disposal cost is the attributable incremental cost directly associated with the disposal.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Significant accounting judgments and estimates (Continued)

(e) Depreciation and amortization

Fixed and intangible assets are depreciated and amortized on a straight-line approach over their estimated useful lives, taking into account of the scrap values. The Group periodically 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. Significant changes to accounting estimates are accounted for prospectively.

(f) Deferred tax assets

The deferred tax assets are recognized to the extent that future taxable profits will be generated against which tax losses can 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 into account of the influence of tax planning.

(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 the tax authority. 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.

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

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

- (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 average growth rate of medical cost, the growth rate of 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.

- (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 result in outflow of economic benefits from the Group, the Group recognizes the provisions on the best estimate of the expenditures needed to settle the relevant current obligations. Recognition and measurement of the estimated liabilities, to the great extent, rely on the management's judgments, which is based on related risks, uncertainties, time value of money and other factors relating to the contingent events.

5. TAXATION

Main taxes and tax rates

Type of tax	Tax 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, Educational surcharge and local educational surcharge	Paid circulating tax: 7%, 3%, 2%
Corporate income tax	Taxable income: 25%
Custom duty	FOB: 5%-15%

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Subsidiaries

(a) Subsidiaries acquired by setting up

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.	Ran Maoyu	67583176-9	108	
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	
Angang Steel Processing and Distribution(Dalian) Co., Ltd. ("Angang Dalian")	Wholly-owned subsidiary	Dalian	Steel Processing and distribution	110	Steel and related products production, processing, wholesale and retail	Limited liability company	Wang Hongchun	06443190-X	110	

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries (Continued)

(a) Subsidiaries acquired by setting up (Continued)

Full name	The proportion of shareholding (%)	The Proportion of voting-right (%)	Included in consolidated statements	Minority interest	Deductible Minority interest	Balance of parent Group's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Angang Steel Distribution (Wuhan) Co., Ltd.	100	100	Yes			
Angang Steel Distribution (Hefei) Co., Ltd.	100	100	Yes			
Guangzhou Angang Steel Processing Co., Ltd.	51	51	Yes	20		
Angang Steel Processing and Distribution(Dalian) Co., Ltd.	100	100	Yes			

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries (Continued)

(b) Subsidiaries acquired by business combination under common control

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
Shenyang Angang International Trade Co., Ltd ("Shenyang Trading")	Wholly-owned subsidiary	Shenyang	Sales of metal materials and products, construction materials	3	Sales of metal materials and products, construction materials	Limited liability company	Shi Yue	73917279-2	23	
Tianjin Angang North International Trade Co., Ltd ("Tianjin Trading")	Wholly-owned subsidiary	Tianjin	Sales and purchase of metal materials etc.	3	Sales and purchase of metal materials etc.	Limited liability company	Zhao Guowei	10117441-3	6	
Shanghai Angang Trading Trade Co., Ltd ("Shanghai Trading")	Wholly-owned subsidiary	Shanghai	Wholesale, retail, consignment-sales and purchase, and other service	3	Wholesale, retail, consignment-sales and purchase, and other service	Limited liability company	Liu Jun	13307409-7	6	
Chengdu Angang International Trade Co., Ltd ("Chengdu Trading")	Wholly-owned subsidiary	Chengdu	Sales of metal materials and construction materials	3	Sales of metal materials and construction materials	Limited liability company	Qiu Rongjiang	79491135-8	1	
Guangzhou Angang International Trade Co., Ltd ("Guangzhou Trading")	Wholly-owned subsidiary	Guangzhou	Import and export of goods and technology, trade of wholesale and retail	3	Import and export of goods and technology, trade of wholesale and retail	Limited liability company	Li Gesheng	79737146-5	18	
Weifang Angang Steel Processing And Distribution Co., Ltd. ("Angang Weifang")	Controlling subsidiary	Weifang	Steel Processing and distribution	5.9	Steel Processing and distribution	Limited liability company	Zhao Zhiping	74240426-6	1	
Shanghai Angang Steel Processing Co., Ltd. ("Angang Shanghai")	Controlling subsidiary	Shanghai	Processing and sales of steel, sales of metal materials	10	Processing and sales of steel, sales of metal materials	Limited liability company	Hao Weiqiang	74421433-5	19	
Angang Shenyang Steel Product Processing And Distribution Group Limited ("Angang Shenyang")	Wholly-owned subsidiary	Shenyang	Steel Processing and distribution	104	Steel Processing and distribution	Limited liability company	Hao Weiqiang	73866644-X	69	
Tianjin Angang Steel Product Processing And Distribution Co., Ltd ("Angang Tianjin")	Controlling subsidiary	Tianjin	Steel Processing and distribution	43.5	Steel Processing and distribution	Limited liability company	Zhao Zhiping	78330525-6	27	

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries (Continued)

- (b) Subsidiaries acquired by business combination under common control (Continued)

Full name	Percentage of shareholding (%)	Percentage of voting-rights (%)	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
Shenyang Angang International Trade Co., Ltd	100	100	Yes			
Tianjin Angang North International Trade Co., Ltd	100	100	Yes			
Shanghai Angang International Trade Co., Ltd	100	100	Yes			
Chengdu Angang International Trade Co., Ltd	100	100	Yes			
Guangzhou Angang International Trade Co., Ltd	100	100	Yes			
Weifang Angang Steel Processing And Distribution Co., Ltd.)	51	51	Yes	(1)		
Shanghai Angang Steel Processing Co., Ltd.	51	51	Yes	20		
Angang Shenyang Steel Product Processing And Distribution Group Limited	100	100	Yes			
Tianjin Angang Steel Product Processing And Distribution Co., Ltd	51	51	Yes	26		

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Changes in the consolidation scope

The first EGM of 2013 was held on 30 January 2013, on which the following resolutions were considered and approved: "The Assets Exchange Agreement between the Company and Angang Group International Trade Corporation ("Angang Trade")", "The Share Transfer Agreement between the Company and Anshan Iron & Steel Group Complex ("Anshan Iron and Steel Group")" and "The Entrustment Agreement with Anshan Iron and Steel Group and Angang Trade". According to the approved agreements above, the Company transferred and assigned its 80% equity interest in Angang Putian to Angang Trade, in exchange for which Angang Trade transferred and assigned the Domestic Trade Business Assets (9 domestic trade subsidiaries equity interest included). Simultaneously, Anshan Iron and Steel Group bought out 45% equity interest of Tianjin Tiantie. While Angang Trade and Anshan Iron and Steel Group would entrust the Company to manage the two companies with their equity interests of Angang Putian and Tianjin Tiantie. Both assets exchange and share transfer agreements mentioned above were settled and implemented on 31 January 2013.

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Subsidiaries that are consolidated for the first time

- (a) Subsidiaries newly included into the consolidated scope this period

Subsidiaries	Closing balance of net assets	Net profit of this period
Angang Dalian	110	
Shenyang Trading	(10)	(24)
Tianjin Trading	6	
Shanghai Trading	(46)	(52)
Chengdu Trading	2	
Guangzhou Trading	2	(12)
Angang Weifang	(1)	(1)
Shanghai Weifang	40	3
Shenyang Weifang	95	(3)
Tianjin Weifang	53	

- (b) Ex-subsidiaries no longer included into the consolidated scope this period.

Ex-Subsidiaries	Closing balance of net assets	Net profit of this period
Tianjin Tiantie	2,604	(29)
Angang Putian	1,430	(5)

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Subsidiaries included into consolidated scope by business combination under common control in this period

Subsidiaries	The basis for the judgment about the business combination under common control	Actual controller under same Control	Combining date
Shenyang Trading	Substantially non-temporarily controlled by Anshan Iron and Steel Group on combining date	Anshan Iron and Steel Group	31 Jan 2013
Tianjin Trading	Substantially non-temporarily controlled by Anshan Iron and Steel Group on combining date	Anshan Iron and Steel Group	31 Jan 2013
Shanghai Trading	Substantially non-temporarily controlled by Anshan Iron and Steel Group on combining date	Anshan Iron and Steel Group	31 Jan 2013
Chengdu Trading	Substantially non-temporarily controlled by Anshan Iron and Steel Group on combining date	Anshan Iron and Steel Group	31 Jan 2013
Guangzhou Trading	Substantially non-temporarily controlled by Anshan Iron and Steel Group on combining date	Anshan Iron and Steel Group	31 Jan 2013
Angang Weifang	Substantially non-temporarily controlled by Anshan Iron and Steel Group on combining date	Anshan Iron and Steel Group	31 Jan 2013
Angang Shanghai	Substantially non-temporarily controlled by Anshan Iron and Steel Group on combining date	Anshan Iron and Steel Group	31 Jan 2013
Angang Shenyang	Substantially non-temporarily controlled by Anshan Iron and Steel Group on combining date	Anshan Iron and Steel Group	31 Jan 2013
Angang Tianjin	Substantially non-temporarily controlled by Anshan Iron and Steel Group on combining date	Anshan Iron and Steel Group	31 Jan 2013

Note: On 31 January 2013, the Company transferred and assigned 80% equity interest in Angang Putian to Angang Trade in exchange for the Domestic Trade Business Assets as a whole, whose combining date was 31 January 2013 when the Company actually derived the net assets and right of control of decision making on production management.

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(4) Subsidiaries included into consolidated scope by business combination under common control in this period** *(Continued)*

Operating income, net profit and cash flow of the Domestic Trade Business Assets from 1 January 2013 to the combining date are stated as follows:

items	The period from 1 January 2013 to the combining date
Operating income	1,859
Net profit	25
Cash flow from operating activities	(117)
Net cash flow	(254)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the notes below (including notes to parent's financial statements), unless otherwise indicated, the closing balance refers to the balance at 30 Jun.2013, the opening balance refers to the balance at 31 Dec. 2012, this period refers to the 6 months ended at 30 Jun.2013, and last period refers to the 6 months ended at 30 Jun.2012.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Cash and banks

Items	Closing balance	Opening balance
Cash	1	1
Banks	1,871	1,420
Other cash and banks	21	628
Total	1,893	2,049

(2) Notes receivable

(a) Classification of notes receivable

Items	Closing balance	Opening balance
Bank acceptances	7,122	9,198
Total	7,122	9,198

(b) As at 30 June 2013, there was no pledged notes receivable.

(c) For this period, there was no notes receivable transferred to account receivables due to default of issuer.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(2) Notes receivable (Continued)**

(d) Outstanding undue endorsed notes (the top five by amount)

Issuer	Issuing date	Maturity date	Closing balance	Whether de-recognized	Notes
ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Group Limited ("ANSC-Dachuan")	Jan to Jun 2013	Jul to Dec 2013	508	Yes	
Dalian Shipbuilding Industry Group Steel Co.Ltd ("Dalian Steel")	Jan to Jun 2013	Jul to Dec 2013	338	Yes	
Bohai Shipbuilding Industry Co, LTD	Jan to May 2013	Jul to Nov 2013	299	Yes	
Dalian Shipbuilding Industry Offshore Co. Ltd	Jan to Jun 2013	Jul to Dec 2013	163	Yes	
Beijing CNR Logistics Development Co. Ltd	Jan to Jun 2013	Jul to Sep 2013	148	Yes	
Total			1,456		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Account receivables

(a) Nature of account receivables

Items	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Account receivables with significant single amount subject to individual impairment	1,347	86		
Other account receivables with insignificant single amount subject to individual impairment	221	14		
Total	1,568	100		

Items	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Account receivables with significant single amount subject to individual impairment	1,979	88		
Other account receivables with insignificant single amount subject to individual impairment	268	12		
Total	2,247	100		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(3) Account receivables (Continued)**

(a) Nature of account receivables (Continued)

- Note: i. The majority of the clients of the Group were required to advance the full amount by cash or bank acceptances before delivery; for sales on credit, the term of credit ranges from 1 to 4 months since the bill issuing date.
- ii. The 30% decrease in account receivables as compared with the end of the previous year was mainly due to the account receivables of export product from Angang Trade decreased.

(b) Aging of account receivables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	1,553	99	2,230	99
1 to 2 years	14	1	15	1
2 to 3 years				
Over 3 years	1		2	
Total	1,568	100	2,247	100

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

The management considered that major account receivables could be recovered and the debtors were able to fulfill their obligations, so bad debt provision is relatively low.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Account receivables (Continued)

(d) Account receivables due from shareholders with more than 5% (including 5%) voting rights of the Group at the end of the period are disclosed in Note: 9 (6).

(e) As at 30 June 2013, the top five debtors is disclosed as follows

Debtor	Relationship	Balance	Aging	Percentage (%)
Angang Trade	Fellow subsidiary	319	Within 1 months	20
Tianjin Tiantie	Fellow subsidiary	241	Within 4 months	15
Procurement Center of China First Automobile Co., LTD	Third party	234	Within 1 months	15
China Petrochemical International Co., Ltd.	Third party	193	Within 2 months	12
ANSC-TKS Changchun Steel Logistics Co., Ltd. ("TKAS-SSC")	Jointly controlled enterprise	167	Within 3 months	11
Total		1,154		73

(f) The related party transactions are disclosed in Note: 9 (6).

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(4) Other receivables**

(a) Nature of other receivables

Items	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Other receivables with significant single amount subject to individual impairment	75	80		
Other receivables with insignificant single amount subject to individual impairment	19	20		
Total	94	100		

Items	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Other receivables with significant single amount subject to individual impairment	26	65		
Other receivables with insignificant single amount subject to individual impairment	14	35		
Total	40	100		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Other receivables (Continued)

(a) Nature of other receivables (Continued)

Note: The increase of other receivables as compared with the end of the previous year was mainly due to the increase of sales agency fees due from Angang Group Chaoyang Anling Iron & Steel Co. Ltd (“Anling Steel”) attributable to the asset exchange with the original Angang Trade.

(b) Aging of other receivables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	84	89	30	75
1 to 2 years				
2 to 3 years			8	20
Over 3 years	10	11	2	5
Total	94	100	40	100

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

The management considered that major other receivables could be recovered and the debtors were able to fulfill their obligations, so bad debt provision is relatively low.

(d) The Group has no other receivables due from shareholders with more than 5% (including 5%) voting right of the Group at the end of the period.

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

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(5) Prepayments**

(a) Aging of prepayments

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	2,328	95	2,542	91
1 to 2 years	54	2	30	1
2 to 3 years	9	1	158	6
Over 3 years	63	2	76	2
Total	2,454	100	2,806	100

Note: The prepayments aging more than one year were mainly prepaid to import engineering equipment.

(b) At the end of the period, the top five debtors were as follows

Debtors	Relationship	Amounts	Aging	Reason for unsettlement (%)
Angang Trade	Fellow subsidiary	2,191	Within 5 years	Undue
Anling Steel	Fellow subsidiary	88	Within 1 year	Undue
Liaoning Railway Fengrui Industrial Group Co., LTD Lingshan Branch	Third party	47	Within 1 year	Undue
Guangzhou Land Use Development Center	Third party	27	Within 1 year	Undue
FAGOR Forging Machine Tool (Kunshan) Co., LTD	Third party	14	Within 1 year	Undue
Total		2,367		

(c) The Group has no prepayments to shareholders with more than 5% (including 5%) voting right of the Group at the end of the period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Dividend receivable

Name of the investees	Opening balance	Increase of the period	Decrease of the period	Closing balance
Anshan Falan Packing Material Co. Ltd		1		1
WISDRI Engineering and Research Incorporation Limited	7			7
Total	7	1		8

Name of the investees	Reason for unsettlement	Whether a provision for impairment is made
Anshan Falan Packing Material Co. Ltd	Not paid yet	No
WISDRI Engineering and Research Incorporation Limited	Not paid yet	No
Total		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(7) Inventories**

(a) Types of inventories

Types	Closing balance		Carrying value
	Book value	Provisions for written-down of inventories	
Raw materials	1,778	62	1,716
Work in progress	2,715	165	2,550
Finished goods	3,895	199	3,696
Consumables	1,152		1,152
Spare parts	1,975		1,975
Materials in transit	27		27
Outsourced materials	3		3
Total	11,545	426	11,119

Types	Opening balance		Carrying value
	Book value	Provisions for written-down of inventories	
Raw materials	2,537	38	2,499
Work in progress	2,762	140	2,622
Finished goods	2,113	147	1,966
Consumables	1,280		1,280
Spare parts	2,235		2,235
Materials in transit	36		36
Outsourced materials	4		4
Total	10,967	325	10,642

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Inventories (Continued)

- (b) Changes in provisions for written-down of inventories

Items	Opening balance	Increase of the period	Decrease of the period		Closing balance
			Written back	Written off	
Raw materials	38	146		122	62
Work in progress	140	370		345	165
Finished goods	147	326		274	199
Total	325	842		741	426

- (c) Analysis of provisions for written-down of inventories

- (i) The net realizable value for finished goods and the relevant raw materials is lower than the cost. Therefore, provisions for written-down of inventories was made at the end of the period.
- (ii) The reason that provisions for written-down of inventories decreases because relevant products had been sold, and corresponding provisions had been transferred to cost of sales.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(8) Available-for-sale financial assets**

Items	Closing balance	Opening balance
Available-for-sale equity instrument	59	101
Total	59	101

Note: The 42% decrease in available-for-sale equity instrument as compared with the end of the previous year was due to the fall of the stock price of Hunan Zhuzhou Smelter Company Lt. subscribed by the Company through non-public offering

(9) LONG-TERM EQUITY INVESTMENTS**(a) Types of long-term equity investments**

Type	Opening balance	Increase of the period	Decrease of the period	Closing balance
Investment in joint ventures	1,616	215	414	1,417
Investment in associates	661	47	35	673
Other equity investments	463	230		693
Less: Provisions for impairment of long-term equity investments				
Total	2,740	492	449	2,783

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

(b) Details of long-term equity investments

Name of investees	Accounting method	Initial investment cost	Opening balance	Change of the period	Closing balance
ANSC-TKS Galvanizing Co., Ltd ("ANSC-TKS")	Equity method	533	1,254	(212)	1,042
ANSC-Dachuan	Equity method	190	224		224
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	Equity method	45	86		86
TKAS-SSC	Equity method	48	52	13	65
TKAS Angang Shenyang Steel Product Processing and Distribution Group Limited ("Angang Shenyang")	Equity method		29	(29)	
ANSC-TKS (Changchun) Tailored Blanks Ltd ("TKAS")	Equity method	37	57	10	67
Angang Entity Group Packing Steel Strip Company Limited ("Entity Packing")	Equity method	11	5		5
Angang group finance co., Ltd ("Angang Finance")	Equity method	315	563	37	600
Anshan Angang Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder")	Equity method	1	1		1
Tianjin Tiantie Binhai Metallurgy Enterprise Co., Ltd. ("Binhai Industry")	Equity method	2	6	(6)	
WISDRI Engineering and Research Incorporation Limited ("WISDRI")	Cost method	35	35		35
Tianjin Tiantie	Cost method	185		185	185
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 of long-term equity investments (Continued)

Name of investees	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	151	151		151
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	68	23	45	68
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. ("Guoqi Lightweight")	Cost method	3	3		3
Total			2,740	43	2,783

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

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

Name of investees	Proportion of Shareholding (%)	Proportion of voting-rights (%)	Difference between proportions of voting-rights and shareholding	Impairment	Impairment made this period	Cash dividends
ANSC-TKS	50	50				400
ANSC-Dachuan	50	50				
Changchun FAM	50	50				
TKAS-SSC	50	50				
Angang Shenyang						
TKAS	45	45				
Entity Packing	30	30				
Angang Finance	20	20				
Iron Oxide Powder	30	30				
Binhai Industry						
WISDRI	7	7				
Tianjin Tiantie	5	5				
Longmay Group	1	1				
Falan Packing	15	15				
Dalian Shipyard	15	15				
China Shipbuilding	10	10				
Dalian Steel	15	15				
Guoqi Lightweight	7	7				
Total	—	—				400

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(9) Long-term equity investments (Continued)**

(c) Investments in joint ventures and associates

(i) Joint ventures of the Group

Name of investees	Type	Registered place	Legal representative	Nature of business	Registered capital	Proportion of shareholding	Proportion of voting-rights (%)
ANSC-TKS	Sino-Foreign Cooperative Venture	Dalian	Ai Qile	Steel processing	USD132 million	50	50
ANSC-Dachuan	Limited Liability Company	Dalian	Zhang Lifen	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	Reina Haobo	Steel processing and sale	USD12 million	50	50

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

(c) Investments in joint ventures and associates (Continued)

(i) Joint ventures of the Group (Continued)

Name of investees	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 for this period	Net profit for this period
ANSC-TKS	2,483	303	2,180	2,916	411
ANSC-Dachuan	1,059	611	448	552	
Changchun FAM	407	222	185	262	10
TKAS-SSC	578	447	131	436	9

(ii) Associates of the Group

Name of investees	Type	Registered Place	Legal representative	Nature of business	Registered capital	Proportion of shareholding (%)	Proportion of voting-rights (%)
TKAS	Sino-Foreign Joint Venture	Changchun	Reina Haobo	Steel processing and logistic	USD10 million	45	45
Entity Packing	Limited Liability Company	Anshan	Zhang Leng	Packaging steel belt and steel processing	RMB35.73 million	30	30
Angang Finance	Limited Liability Company	Anshan	Yu Wanyuan	Deposit finance	RMB1,000 million	20	20
Iron Oxide Powder	Limited Liability Company	Anshan	Yuan Xuefeng	Iron oxide powder processing	RMB2 million	30	30

Name of investees	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 for this period	Net profit for this period
TKAS	226	77	149	296	22
Entity Packing	15		15	7	(1)
Angang Finance	11,057	8,043	3,014	289	190
Iron Oxide Powder	5	3	2		(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	93,747	566	4,259	90,054
Of which: Buildings and Plants	25,875	23	1,606	24,292
Machineries and equipment	63,162	553	2,535	61,180
Others	4,710	(10)	118	4,582
Accumulated depreciation	42,413	2,180	1,157	43,436
Of which: Buildings and Plants	7,361	308	256	7,413
Machineries and equipment	32,004	1,612	805	32,811
Others	3,048	260	96	3,212
Net book value	51,334			46,618
Of which: Buildings and Plants	18,514			16,879
Machineries and equipment	31,158			28,369
Others	1,662			1,370

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
Provision for impairment	77		4	73
Of which: Buildings and Plants	14			14
Machineries and equipment	60		4	56
Others	3			3
Carrying value	51,257			46,545
Of which: Buildings and Plants	18,500			16,865
Machineries and equipment	31,098			28,313
Others	1,659			1,367

- Note: i. The depreciation of this period was RMB2,094 million.
- ii. During this period, the cost of constructions in progress transferred into fixed assets was RMB447 million.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(10) Fixed assets (Continued)**

- (b) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying value	Notes
Buildings and Plants	19	9		10	Reconstruction
Machineries and Equipment	278	204	19	55	Renovation
Others	19	15	3	1	Renovation
Total	316	228	22	66	

- (c) The Group had no financial leased-in fixed asset as at 30 Jun. 2013.

- (d) Operating leased-out fixed assets

Items	Closing carrying value	Opening carrying value
Buildings and Plants	62	63
Machineries and Equipment	65	68
Total	127	131

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Constructions in progress

(a) Details of constructions in progress

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Bayuquan Project	3,103		3,103	2,885		2,885
Putian Project				2,886		2,886
Tiantie Project				2,161		2,161
Hefei Project	89		89	72		72
Wuhan Project	93		93	62		62
Guangzhou Project	2		2	1		1
Chemical Plant Renovation	895		895	858		858
Chemical Fifth-Stage Coke Oven Renovation Project	6		6			
Nanbei Coal Field Renovation Project	1		1			
The No 1 Converter Gas Tank Project	34		34	33		33
Others	1,001		1,001	778		778
Total	5,224		5,224	9,736		9,736

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(11) Constructions in progress(Continued)**

(b) Changes in major constructions in progress

Items	Budget	Opening balance	Increase of the period	Transferred into fixed assets	Other decrease	Closing balance
Bayuquan Project	7,261	2,885	324	106		3,103
Putian Project	3,774	2,886	98		2,984	
Tiantie Project	6,294	2,161	48		2,209	
Hefei Project	112	72	17			89
Wuhan Project	170	62	31			93
Guangzhou Project	133	1	1			2
Chemical Plant Renovation	1,016	858	37			895
Chemical Five Coke Oven Renovation Project	1,500		6			6
North-South Coal Field Renovation Project	430		1			1
The 1st Converter Gas Tank Project	35	33	1			34
Others		778	564	341		1,001
Total		9,736	1,128	447	5,193	5,224

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Constructions in progress(Continued)

(b) Changes in major constructions in progress (Continued)

Items	Accumulated capitalized borrowing cost	Of which: capitalized this period	Capitalization rate (%)	Expenditure over budget (%)	Project progress (%)	Resource of fund
Bayuquan Project	401	72	5.82	50	50	Self-financing
Putian Project	243	12	6.12			Self-financing, Borrowings
Tiantie Project	365	16	5.36			Self-financing
Hefei Project				79	79	Self-financing, Borrowings
Wuhan Project	1	1	6.4	54	54	Self-financing, Borrowings
Guangzhou Project				1	1	Self-financing, Borrowings
Chemical Plant Renovation Chemical Five Coke Oven Renovation Project	171	22	5.94	71	71	Self-financing, Borrowings
North-South Coal Field Renovation Project						Self-financing
The First Converter Gas Tank Project	3	1	5.94	89	89	Self-financing
Others	604	14	5.94			Self-financing
Total	1,788	138				

Note: Self-financing includes non-special borrowings and reserves from operations.

(c) As at 30 Jun 2013, there was no construction in progress whose carrying value was higher than its realizable value.

(12) Construction materials

Items	Opening balance	Increase of the period	Decrease of the period	Closing balance
Special equipment	243	76	302	17
Total	243	76	302	17

Note: The 93% decrease in available-for-sale equity instrument as compared with the end of the previous year was due to the inclusion of the special equipment of Tianjin Tiantie and Angang Putian at the beginning of the year.

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	7,796	87	523	7,360
Land use right	7,717	84	517	7,284
software	47	3	6	44
Non-patented technology	32			32
Accumulative amortization	1,119	86	41	1,164
Land use right	1,061	77	36	1,102
software	28	9	5	32
Non-patented technology	30			30
Total net book value	6,677			6,196
Land use right	6,656			6,182
software	19			12
Non-patented technology	2			2
Total provision for impairment				
Land use right software				
Non-patented technology				
Total book value	6,677			6,196
Land use right	6,656			6,182
software	19			12
Non-patented technology	2			2

Note: The amortization of this period was RMB82 million.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(a) 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 written-down of inventories	80	320	81	325
Provision for impairment of fixed assets	19	77	19	77
Accumulated depreciation of fixed assets	5	21	5	21
Unrealized inter-group profit	33	132	32	129
Salaries payable	50	200	47	187
Termination benefits	3	12	5	17
Employee training expenses	16	63	16	63
Deductible loss	2,654	10,612	3,113	12,453
Government grants	155	621	165	659
Safety production expenses	14	56	11	44
Available-for-sale financial assets	5	22		
Total	3,034	12,136	3,494	13,975

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(14) Deferred income tax assets/deferred income tax liabilities***(Continued)*

(b) Recognized deferred income tax liabilities

Items	Closing balance		Opening balance	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Fair value variation on available-for-sale financial asset			5	20
Capitalized borrowing costs	23	92	23	92
Total	23	92	28	112

(15) Provisions for impairment

Items	Opening balance	Increase of the period	Decrease of this period		Closing balance
			Written back	Written off	
Provision for written-down of inventories	325	842		741	426
Provision for impairment of fixed assets	77			4	73
Total	402	842		745	499

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Short-term loans

Items	Closing balance	Opening balance
Guaranteed loans		3,200
Credit loans	9,990	11,930
Total	9,990	15,130

Note: The 34% decrease in short-term loans as compared with end of the previous year was mainly due to a) the medium-term note issued during this period; and b) the inclusion of RMB2,200 million short-term loans of Tianjin Tiantie at the beginning of this year.

(17) Notes payable

Types of notes	Closing balance	Opening balance
Bank acceptances	585	3,260
Total	585	3,260

- Note:
- i. The amount due within next accounting period was RMB585 million.
 - ii. The 82% decrease in notes payable as compared with end of the previous year was mainly due to a) the inclusion of RMB1,704 million of notes payable of Tianjin Tiantie at the beginning of this period; and b) the increase of note endorsement reduced the notes payable needed to be issued.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(18) Account payables**

- (a) Classification of account payables by nature

Items	Closing balance	Opening balance
Account payables for purchasing	10,210	5,474
Construction payables	222	232
Operation expenses on supporting production	58	50
Freight	44	26
Others	121	39
Total	10,655	5,821

Note: The 83% increase in account payables as compared with end of the previous year was mainly due to the fact that the prepayments for imported raw materials and fuels were adjusted to payments by inward documentary bills, and an increase in accounts payable for imported raw materials.

- (b) Related party transactions and payables to shareholders with more than 5% (including 5%) of voting rights of the Group are disclosed in Note: 9 (6).
- (c) There were no significant account payables aging over 1 year at the end of the period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Account payables (Continued)

(d) Aging of account payables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	10,553	99	5,749	99
1 to 2 years	38		20	
2 to 3 years	1		10	
Over 3 years	63	1	42	1
Total	10,655	100	5,821	100

(19) ADVANCES FROM CUSTOMERS

(a) Classification of advances from customers by nature

Items	Closing balance	Opening balance
Selling of products	5,029	4,386
Total	5,029	4,386

(b) Related party transactions and advances from shareholders with more than 5% (including 5%) of voting rights of the Group are disclosed in Note: 9 (6).

(c) There were no significant advances from customers aging over 1 year at the end of the period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(20) Employee benefits payable**

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
1. Salaries, bonus and allowance	236	991	901	326
2. Staff welfare		98	98	
3. Social insurance		364	364	
Including: Medical insurance		84	84	
Basic Pension Insurance		185	185	
Annuity payment		63	63	
Unemployment insurance		18	18	
Staff and workers' injury insurance		14	14	
Others				
4. Housing fund		132	132	
5. Labor union fee and staff training fee	66	23	22	67
6. Termination benefits	10	32	37	5
7. Non-currency benefits				
8. Others		31	31	
Total	312	1,671	1,585	398

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Taxes and surcharges payable

Items	Closing balance	Opening balance
VAT	(448)	(1,299)
Corporate income tax	(11)	8
Individual income tax	2	4
City maintenance and construction tax	4	18
Educational surcharges	2	8
Local educational surcharges	1	5
Property tax	9	9
Land use tax	23	18
Stamp tax	4	5
Taxes to be offset	(86)	(16)
Total	(500)	(1,240)

Note: The increase of RMB 740 million in taxes and surcharges payable as compared with end of the previous year was mainly due to a) the inclusion of the tax payable of Tianjin Tiantie and Angang Putian, RMB -155 million and RMB -336 million respectively; and b) the increase of actual amount of VAT payable at the end of this period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(22) Interests payable**

Items	Closing balance	Opening balance
Interest for short-term financing bonds	103	96
Interest for medium term note	20	
Total	text-align: right;">123	text-align: right;">96

(23) Other payables

(a) Classification of other payables by nature

Items	Closing balance	Opening balance
Construction payables	586	1,067
Quality assurance		
— project/spare parts	602	791
The Energy-saving and Emission-reducing funds transferred by Angang holding	368	365
Performance assurance	111	121
Freight charges	93	123
Deposit for steel shelves	57	36
Others	115	181
Total	text-align: right;">1,932	text-align: right;">2,684

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Other payables (Continued)

- (b) Related party transaction and payables to shareholders with more than 5% (including 5%) of voting rights of the Group are disclosed in Note: 9 (6).
- (c) Significant balances of other payables aging over 1 year

Creditor	Closing balance	Reason	Whether paid after balance sheet date
Acre Coking & Refractory Engineering Technology Corporation	126	Quality assurance	No
Angang Construction Group Co, Ltd	100	Project quality assurance	No
Angang Group Engineering Technology Co., LTD	65	Project quality assurance	No
China First Heavy Machinery Group Co., LTD	39	Project quality assurance	No
The Northeast Geotechnical Engineering Head Corporation	32	Project quality assurance	No
China Sanye Group Co., LTD	21	Project quality assurance	No
Others	58	Project quality assurance	No
Total	441		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) 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.(26))	1,271	7,501
Total	1,271	7,501

Note: The 83% decrease in long-term liabilities due within 1 year as compared with end of the previous year was mainly due to the loan repayment of long-term loans due within 1 year.

- (b) Long-term loans due within 1 year

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

Items	Closing balance	Opening balance
Guaranteed loans (Note.(26))		1,030
Credit loans	1,271	6,471
Total	1,271	7,501

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) Non-current liabilities due within 1 year (Continued)

(b) Long-term loans due within 1 year (Continued)

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

Lender	Commencement date	Due date	Interest Rate (%)	Closing balance	Opening balance
Industrial and Commercial Bank of China Angang Branch	31 Jul 2008	30 Jul 2013	5.760	700	700
Bank of China Anshan Branch	21 Jan 2011	20 Jan 2014	5.985	200	200
China Construction Bank Angang Branch	1 Mar 2011	28 Feb 2014	5.985	170	170
Bank of China Anshan Branch	20 Aug 2010	19 Aug 2013	5.535	100	100
China Construction Bank Angang Branch	27 Jan 2011	26 Jan 2014	5.985	100	100
Total				1,270	1270

(iii) There was no overdue long-term loan due within 1 year.

(25) Other current liabilities

Items	Nature	Closing balance	Opening balance
Deferred income	Government grants related to assets	5	5
Short-term financing bonds		3,000	6,000
Total		3,005	6,005

Note: The decrease of RMB 3,000 million in other current liabilities as compared with the end of the previous year was mainly due to the fact of the repayment of short-term financing bonds.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(26) Long-term loans

(a) Classification of Long-term loans

Items	Closing balance	Opening balance
Guaranteed loans (see note ii)	10	1,240
Credit loans	4,974	14,625
Less: long-term loans due within 1 year (Note: 7(24))	1,271	7,501
Total	3,713	8,364

Note:

- i. The 56% decrease in long-term loans as compared with the end of the previous year was mainly due to a) the inclusion of the long-term loans Tianjin Tiantie and Angang Putian at the beginning of this period, RMB210 million and RMB1,850 million respectively, and b) the fact of repayment of long-term loans in this period.
- ii. Guaranteed loans were used in Angang Steel Distribution (Hefei) Co., Ltd for operating funds supplement. It was guaranteed by Angang Group.

(b) Top five long-term loans

Lender	Commencement date	Expiry date	Interest rate (%)	Closing balance	Opening balance
Angang Finance	26 Feb 2013	26 Feb 2016	5.535	500	
China Construction Bank Angang Branch	27 Jul 2011	26 Jul 2014	5.535	500	500
Agricultural Bank of China Lishan Branch	17 May 2012	15 May 2015	5.985	400	400
Industrial and Commercial Bank of China Angang Branch	13 Dec 2012	3 Dec 2015	5.535	300	300
Bank of China Angang Branch	30 Aug 2011	29 Aug 2014	5.535	300	300
Total				2,000	1,500

- iii. There was no overdue long-term loan.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) Bonds payable

Type of bonds	Par value	Issuance date	bond duration (%)	Issuance amount	Closing balance
Medium term note	4,000	22 May 2013	3 years	4,000	4,000
Total	4,000		4,000	4,000	

Type of bonds	Opening balance of interests payable	Increase of the period	Decease of the period	Closing balance of interests payable
Medium term note		20		20
Total		20		20

(28) Other non-current liabilities

Items	Content	Closing balance	Opening balance
Deferred income	Government grants relating to assets	815	654
Termination benefits	Termination benefits payable in above 1 year	7	7
Total		822	661

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) Share capital

Items	Opening balance		Changes of the period(+,-)					Closing balance	
	Balance	Proportion	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	Proportion
Shares unrestricted on sale									
a. Ordinary A shares	6,149	85						6,149	6,149
b. Foreign shares listed overseas ("H shares")	1,086	15						1,086	1,086
Total	7,235	100						7,235	7,235

(30) Capital reserve

Items	Opening balance	Increase of the period	Decease of the period	Closing balance
Share premium	31,439		293	31,146
Other capital reserve	26		32	(6)
Including: Fair value variation on available-for-sale financial asset	26		32	(6)
Total	31,465		325	31,140

Note:

- i. The Company transferred and assigned its 80% equity interest in Angang Putian to Angang Trade in exchange for the Domestic Trade Business Assets; the differences between the carrying value of the consideration paid and the carrying value of the derived Domestic Trade Business Net Assets reduced capital reserve by RMB247 million.
- ii. The part of retained earnings belonging to the Company realized before merging the Domestic Trade Business Assets were transferred out from capital reserve into retained earnings, reducing capital reserve by RMB46 million.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(31) Special reserve

Items	Opening balance	Increase of the period	Decease of the period	Closing balance
Safety production expenses	44	31	9	66
Total	44	31	9	66

(32) Surplus reserve

Items	Opening balance	Increase of the period	Decease of the period	Closing balance
Statutory surplus reserve	3,570	10		3,580
Total	3,570	10		3,580

Note: Business combination under the common control, retained earnings belonging to the Company before merging the Domestic Trade Business Assets shall be restored, thus the surplus reserve increasing by RMB 10 million.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(33) Undistributed profits

Items	This period
Undistributed profits at the end of last period before adjustment	4,284
Adjustment for undistributed profits at the beginning of period	
Undistributed profits at the end of last period after adjustment	4,284
Add: Net profits attributable to owners of parent company during this period	702
Capital invested by stockholder	133
Less: Dividend to shareholders	135
Undistributed profits at the end of the period	4,984

Note: The Company transferred and assigned its 80% of equity interest of Angang Putian to Angang Trade in exchange for the Domestic Trade Business Assets, thus forming a business combination under common control, and undistributed profit increased by RMB133 million and decreased by RMB 135 million for other reasons.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) Operating income and operating cost

(a) Operating income and operating cost

Items	This period	Last period
Operating income from main business	36,887	39,263
Other operating income	35	115
Total	36,922	39,378
Operating cost for main business	32,395	38,191
Other operating cost	28	134
Total	32,423	38,325

Note: The Group has one segment according to business category which is production and sale of iron and steel products.

(b) Main business by industry

Name of industry	This period		Last period	
	Operating income from main business	Operating cost from main business	Operating income from main business	Operating cost from main business
Ferrous metal smelting and steel rolling process	36,887	32,395	39,263	38,191
Total	36,887	32,395	39,263	38,191

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) Operating income and operating cost (Continued)

(c) Main business by products

Name of products	This period		Last period	
	Operating income from main business	Operating cost from main business	Operating income from main business	Operating cost from main business
Hot rolled products	12,968	11,755	13,701	13,213
Cold rolled products	13,270	10,984	15,020	14,658
Medium -thick plate	4,389	3,828	5,087	4,833
Others	6,260	5,828	5,455	5,487
Total	36,887	32,395	39,263	38,191

(d) Operating income by region

Regions	This period		Last period	
	Operating income	Operating cost	Operating income	Operating cost
China	33,797	29,491	35,770	34,782
Overseas	3,090	2,904	3,493	3,409
Total	36,887	32,395	39,263	38,191

(e) Operating income from top five customers

Period	Operating income from top five customers	Proportion (%)
This period	5,057	14
Last period	8,358	21

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(35) Business taxes and surcharges

Items	This period	Last period
Resources tax and business tax	2	1
City maintenance and construction tax	70	38
Educational surcharge and local educational surcharge	50	27
Custom duty		1
Total	122	67

Note:

- i. Business taxes and surcharges paid complying with Note 5.
- ii. The increase in business tax and surcharges during this period as compared with last period was mainly due to a) business taxes and surcharges in the last period were smaller than this period, following the excess VAT paid at the beginning of last year, the VAT payable during the period increased the business tax and surcharges; and b) an increase in approval of exemption, offsetting and refund of taxes for export products, which increased the business tax and surcharges during the period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(36) Marketing expenses

Items	This period	Last period
Packing expense	250	294
Delivery expense	387	211
Sales and service expense	54	59
Agency fee for commissioned sales	10	16
Employee benefits	39	17
Warehouse storage expense	1	4
Insurance expense	4	3
Others	45	54
Total	790	658

(37) Administrative expenses

Items	This period	Last period
Repair and maintenance	770	637
Employee benefits	257	209
Taxes	222	201
Amortization of intangible assets	82	82
Sewage fee	41	47
Depreciation	37	45
Assistance for production expense	44	42
Computer maintenance expense	19	14
Security and firefighting expense	26	22
Warehouse expenditure	5	20
Others	241	154
Total	1,744	1,473

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(38) Financial expenses

Items	This period	Last period
Interest expense	853	1,131
Less: Interest income	13	17
Less: Capitalized interest expense	138	244
Exchange gain or loss	(14)	(35)
Less: Capitalized exchange gain or loss		
Others	19	21
Total	707	856

(39) Investment income

(a) Details of investment income

Items	This period	Last period
Long-term equity investment income measured at cost method	1	
Long-term equity investment income measured at equity method	261	201
Investment income from disposal of long-term equity investments	22	
Total	284	201

Note:

- i. The 41% increase in Investment income during this period as compared with last period was mainly due to a) the increase of net profit of ANSC-TKS during this period; and b) disposal of subsidiary Tianjin Tiantie.
- ii. There was no severe restriction on the transfer of investment income to the Group.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(39) Investment income (Continued)

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

Investees	This period	Last period
Falan Packing	1	
Total	1	

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

Investees	This period	Last period
ANSC-TKS	205	135
Angang Finance	37	41
TKAS	10	9
Changchun FAM	5	6
TKAS-SSC	4	6
ANSC-Dachuan		5
Angang Shenyang		(1)
Total	261	201

(d) Investment income from disposal of long-term equity investments

Investees	This period	Last period
Tianjin Tiantie	22	
Total	22	

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(40) Impairment losses

Items	This period	Last period
Provision for written-down of inventories	842	1,016
Total	842	1,016

(41) Non-operating income

Items	This period	Last period	Recorded into extraordinary gains and losses
Total gains from disposal of non-current assets	10	31	10
Including: Gains on fixed assets scrapped	10		10
Other gains on disposal of fixed assets		31	
Government grant (Disclosed in the below: Details of government grants)	63	18	63
Others	1	1	1
Total	74	50	74

Note: The 48% increase in non-operating income during this period as compared with last period was mainly due to the increase the increase in government grants.

Details of government grants:

Items	This period	Last period
R & D subsidy	37	2
Military project grants	6	11
Environmental rewards	20	5
Total	63	18

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(42) Non-operating expenses

Items	This period	Last period	Recorded into extraordinary gains and losses
Total loss on disposal of non-current assets	19	12	19
Including: Loss on fixed assets scrapped	19	1	19
Other loss on disposal of fixed assets		11	
Others	1	1	1
Total	20	13	20

Note: The 54% increase in non-operating expenses during this period as compared with last period was mainly due to the increase of the loss on fixed assets retired.

(43) Income tax expenses

Items	This period	Last period
Income tax calculated according to the Tax Law and the relevant regulations	9	
Changes on deferred income tax expenses	(65)	(699)
Total	(56)	(699)

Note: The increase in income tax expenses during this period as compared with last period was mainly due to the provisions made for deferred tax for losses incurred by the Company during last period.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(44) Basic eps and diluted eps

For the company, the basic earnings per share shall be calculated at the current net profits attributable to shareholders of ordinary shares divided 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:

- (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.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(44) Basic eps and diluted eps (Continued)

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 the current period. The diluted potential ordinary shares issued in the current period shall be assumed to be converted at the date of offer.

(a) Basic EPS and diluted EPS

	This period		Last period	
	Basic EPS (RMB Yuan/ share)	Diluted EPS (RMB Yuan/ share)	Basic EPS (RMB Yuan/ share)	Diluted EPS (RMB Yuan/ share)
Net profit				
Net profit attributable to ordinary shareholders	0.097	0.097	(0.273)	(0.273)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	0.088	0.088	(0.277)	(0.277)

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	702	(1,976)
Including: Net profit attributable to continuing operations	702	(1,976)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	635	(2,004)
Including: Net profit attributable to continuing operations	635	(2,004)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(44) Basic eps and diluted eps *(Continued)*

- (b) Calculation of basic EPS and diluted EPS
- (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 repurchased 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, the diluted EPS equals to 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	(42)	4
Minus: Income tax impact resulted from available- for-sale financial assets	(10)	1
Total	(32)	3

(46) Notes to the cash flow statement

(a) Cash received from other operating activities

Items	This period	Last period
Government grants	112	36
Others	16	4
Total	128	40

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	375	204
Agency fee for commissioned sales	7	47
Sewage fee	40	44
Integrated marketing fee	12	23
Property insurance fees		17
Security and firefighting expense	8	5
Others	254	245
Total	696	585

(c) Cash received from other investing activities

Items	This period	Last period
Income from test run	48	1
Interest income	13	17
Net cash received from assets exchange and share transfer transaction	844	
Total	905	18

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	688	(2,080)
Add: Provision for impairment	97	(241)
Depreciation of fixed assets	2,094	2,758
Amortization of intangible assets	82	82
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("—" for gains)		(20)
Loss on scrap of fixed assets	9	1
Loss on the change of fair value		
Financial expenses	700	837
Investment loss	(284)	(201)
Decrease in deferred tax assets ("—" for increase)	(65)	(699)
Increase in deferred tax liabilities ("—" for decrease)		
Decrease in inventories ("—" for increase)	(556)	1,731
Decrease in operating receivables ("—" for increase)	4,412	(5,508)
Increase in operating payables ("—" for decrease)	3,451	5,017
Others	35	43
Net cash flow from operating activities	10,663	1,720

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(47) Supplement to cash flow statement (Continued)

(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	1,893	2,596
Less: cash at the beginning of the period	2,049	2,341
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	(156)	255

(b) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
1. Cash at bank and on hand	1,893	2,596
Of which: Cash	1	1
Bank deposits available	1,871	1,938
Other deposits available	21	657
2. Cash equivalents		
Of which: Bond due within 3 months		
3. Closing balance of cash and cash equivalents	1,893	2,596

8. ACCOUNTING TREATMENT OF ASSET SECURITIZATION

The Group had no operation about asset securitization in this period.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information on the parent of the company

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

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 Group Corporation	24142001-4

(2) Information on the subsidiaries of the company

Disclosed in Note 6 (1).

(3) Information on the jointly ventures and associates of the group

Disclosed in Note 7 (9) (c).

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
ANSC-Dachuan	Jointly controlled enterprise	75990387-0
TKAS-SSC	Jointly controlled enterprise	76717649-0
Changchun FAM	Jointly controlled enterprise	785926056
TKAS	Associate	767159789
Angang Finance	Associate	1188857-2
Binhai Industry	Subsidiary's associate	671473722
Falan Packing	Fellow subsidiary	57090841-6
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 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
Tianjin Tiantie	Fellow subsidiary	75224243-2
Pangang Steel Vanadium and Titanium Co., Ltd	Fellow subsidiary	204360956
Ansahn Angang Vesuvius Refractory Co., Ltd	Joint venture of the parent company	686619528
Anshan Jidong Cement Co., Ltd	Joint venture of the parent company	77077858X
Angang BK Giulini Water Treatment Co., Ltd	Joint venture of the parent company	68661847X

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions

(a) Related party transactions with Angang Holding and its subsidiaries

(i) Procurement of goods and services from Angang Holding and its subsidiaries

Contents	Pricing Policy	This Period		Last Period	
		Amount	Percent of related transactions	Amount	Percent of related transactions (%)
Raw materials	Note. i	6,867	58	7,708	51
Ancillary materials and spare parts	Note. ii	932	25	885	26
Energy and power supplies	Note. iii	772	28	941	33
Support services	Note. iv	1,975	62	2,560	68
Total		10,546		12,094	

(ii) Sales, Render services to Angang Holding and its subsidiaries

Contents	Pricing Policy	This Period		Last Period	
		Amount	Percent of related transactions	Amount	Percent of related transactions (%)
Products	Note.v	1,205	3	4,031	10
Scrap materials and Minus sieve powder		59	78	95	96
General services	Note.vi	319	39	295	38
Total		1,583		4,421	

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**(CONTINUED)****(5) Related party transactions (Continued)**

- (b) Related party transactions with Pangang steel Vanadium and Titanium Co., Ltd

Procurement 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	580	8	375	3
Total		580		375	

Notes:

- i. The iron ore concentrate purchase price is not higher than the average import prices of (T-2) month quotation from China customs plus freight charges and adjustment for grade. The price is adjusted by 10 yuan per ton for one percentage of grade based on the weighted average grade of iron concentrate imports and an extra 5% discount for importing average prices of the (T-2) month. The pellets are purchased at market price and sinter the processing cost of iron ore concentrate of (T-2) month (processing cost is not higher than similar products) (where T is the current month); scrap, billets, alloys and non-ferrous metal are purchased at market prices;
- ii. The purchasing prices are not higher than the average prices charged to independent customers.
- iii. Mainly at state prices, or operating costs plus 5% of gross profit margin.
- iv. At state prices, or market prices, or not higher than 1.5% of the commissions, or depreciation fees and maintenance costs, or labour, materials and management fees, or processing costs plus no more than 5% of the gross margin.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

- (b) Related party transactions with Pangang steel Vanadium and Titanium Co., Ltd (Continued)

Notes: (Continued)

- v. 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 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, or operating costs plus 5% of gross profit margin, or market prices.

- (c) Guarantee of loans

Warrantor	Warrantyee	Amount Guaranteed	Starting date	Expiring date	Whether fulfilled
Angang Holding	Angang Hefei	10	5 Mar. 2013	4 Mar. 2016	No

- (d) Directors' and supervisors' remunerations

The interval of remunerations	This period	Last period
Total	2	2
Including: (number)		
Over 0 .20 million	7	1
0.15 to 0.20 million		8
0.10 to 0.15 million		
Within 0.10 million	3	1

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(e) Other related party transactions

(i) Receive sales agent service from Angang Trade

The amount of domestic sales agent and export agent of products the Group received from Angang Trade were 0.59 million tons and 0.77 million tons respectively for this period (2.95 million tons and 0.76 million tons for last period).

(ii) Related party transactions with the jointly controlled enterprises and the associates:

A. Sales of products

Name of enterprise	Sales in this period	Sales in Last period
ANSC-TKS	1,935	1,712
TKAS-SSC	143	299
Changchun FAM	12	13
TKAS	28	7

B. Agency service received from TKAS-SSC

The domestic sales amount the Group received from TKAS-SSC was RMB1 million for this period (2 million for last period).

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(e) Other related party transactions (Continued)

(iii) Loan deposit, interest paid to Angang Finance

Items	Annual interest rate	Opening balance	Increased	Decreased	Closing balance	Terms of credit
Loan	5.40-5.904	4,900	3,710	6,200	2,410	Credit and Guarantee Loan
Deposit		543			1,393	

The Group's interest income of deposit from Angang finance was RMB3 million in this period (RMB5 million for last period) and the interests for borrowing and bills discounted was RMB113 million (RMB167 million for last period). The highest daily deposit in Angang Finance was RMB5,795 million (RMB5,418 million for last period).

(iv) Loan and interest paid to Angang Holding

Items	Annual interest rate	Opening balance	Increased	Decreased	Closing balance	Terms of credit
Loan	5.04-6.90	4,650		4,650		Credit Loan

The Group's interests for entrust loans was RMB31 million for this period (RMB87 million for last period).

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	319	1,146
TKAS-SSC	167	126
Anling Steel	14	14
Angang Group Engineering Technology Co., LTD	3	2
Anshan Iron and Steel Group Tianjin Tiantie	22	1
Angang Construction Group Co., LTD	22	
NSC-TKS	15	
Other related parties	5	2
Total	808	1,291

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
Prepayment		
Angang Trade	2,191	2,330
Angang Construction Group Co., LTD	10	16
Angang Group Engineering Technology Co., LTD		8
Anling Steel	88	3
Anshan Mine Construction Co., LTD		1
Angang Heavy Machinery Co., LTD	8	
Angang Industrial Group Co., LTD	1	
Pangang (Group) International Economic and Trade Co., LTD	1	
Total	2,299	2,358
Other receivables		
Anling Steel	51	26
Angang Trade	1	2
Angang Construction Group Co., LTD	1	
Total	53	28

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

Items	Closing balance	Opening balance
Account payables		
Angang Trade	3,195	31
Angang Industrial Group Co., LTD	30	21
Angang Construction Group Co., LTD	17	15
Angang Heavy Machinery Co., LTD	16	14
Falan Packing	6	13
Angang Motor Transport Co., LTD	15	12
Anling Steel	12	12
Anshan Mine Construction Co., LTD	6	8
Anshan Iron and Steel Group	32	8
Angang Group Railway Transportation Equipment Manufacturing Company	4	7
Angang Group Automation Corp	7	6
Angang Steel Rope Co., LTD	2	3
Anshan Electric Co., LTD	5	3
Angang Group Real Estate Development Co., LTD	3	3
Other related parties		1
Total	3,350	157

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	1,277	830
ANSC-TKS		64
Falan Packing	13	13
TKAS	15	12
Anshan Iron and Steel Group	26	9
Angang Construction Group Co., LTD		7
Angang Group Mining Company	6	7
Changchun FAM	14	7
Angang Industrial Group Co., LTD	9	6
Angang Steel Rope Co., LTD	9	1
Other related parties	1	1
Total	1,370	957

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		
Anshan Iron and Steel Group	374	371
Angang Trade	121	191
Angang Group Engineering Technology Co., LTD	88	245
Angang Construction Group Co., LTD	120	184
Angang Group Mining Company	17	59
Angang Group Automation Corp	16	38
Angang Industrial Group Co., LTD	27	25
Angang Heavy Machinery Co., LTD	8	12
Tianjin Tantie Binhai Metallurgy Enterprise Co., Ltd		11
Anshan Electric Co., LTD	6	11
Angang Group Real Estate Development Co., LTD	4	6
Angang Motor Transport Co., LTD	8	6
Other related parties	1	1
Total	790	1,160

10. SHARE-BASED PAYMENT

As at 30 June 2013, the Group had no share-based payment.

11. CONTINGENCIES

As at 30 June 2013, there were no contingencies to be disclosed.

12. CAPITAL COMMITMENTS

(1) Significant capital commitments

Items	As at 30 June 2013	As at 31 December 2012
Investment contracts entered but not performed or performed partially	560	353
Construction and renovation contracts entered but not performed or performed partially	2,628	1,206
Total	3,188	1,559

(2) Performance of the capital commitment of previous period

The Group's capital commitment has been performed according to commitment of previous years up to the 30th June 2013.

13. EVENTS AFTER THE BALANCE SHEET DATE

As at 30 June 2013, there was no event after balance sheet date to be disclosed.

14. OTHER SIGNIFICANT TRANSACTION

As at 30 June 2013, there was no other significant transaction to be disclosed.

15. NOTES TO PARENT'S FINANCIAL STATEMENTS**(1) Account receivables**

(a) Nature of account receivables

Items	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Account receivables with significant single amount subject to individual impairment	2,242	90		
Other account receivables with insignificant single amount subject to individual impairment	254	10		
Total	2,496	100		

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

(1) Account receivables (Continued)

(a) Nature of account receivables (Continued)

Type	Opening balance		Bad debt provision	
	Book value Balance	Percentage (%)	Balance	Percentage (%)
Account receivables with significant single amount subject to individual impairment	2,020	88		
Other account receivables with insignificant single amount subject to individual impairment	268	12		
Total	2,288	100		

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)**(1) Account receivables (Continued)**

(b) Aging analysis of account receivables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	2,481	99	2,271	99
1 to 2 years	14	1	15	1
2 to 3 years				
Over 3 years	1		2	
Total	2,496	100	2,288	100

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

The management considered that major account receivables could be recovered and the debtors were able to fulfill their obligations, so bad debt provision is relatively low.

(d) Account receivables due from shareholders with more than 5% (including 5%) voting rights of the Company at the end of the period are disclosed in Note: 9 (6).

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

(1) Account receivables (Continued)

- (e) As at 30 June 2013, the top five account receivables are as follows.

Debtors	Relationship	Balance	Aging	Percentage (%)
Shenyang Tradine	Subsidiary	492	Within 3 months	20
Angang trade	Fellow subsidiary	319	Within 1 months	13
Tianjin Tiantie	Fellow subsidiary	241	Within 1 months	10
Procurement Center of China First Automobile Co., LTD	Third party	234	Within 4 months	9
Shanghai Trading	Subsidiary	230	Within 1 months	9
Total		1,516		61

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)**(1) Account receivables (Continued)**

(f) Related party transactions are disclosed as follows:

Item	Closing balance	Opening balance
Angang Trade	319	1,146
TKAS-SSC	167	126
Angang Putian		42
Anling Steel	14	14
Anshan Iron and Steel Group	22	1
Anshan Electric Co., LTD		1
Shenyang Trading	492	
Tianjin Tiantie	241	
Shanghai Trading	230	
Chengdu Trading	116	
Guangzhou Trading	115	
Tianjin Trading	46	
Angang Shenyang	28	
Angang Construction Group Co., LTD	22	
ANSC-TKS	15	
Angang Hefei	4	
Angang Group Engineering Technology Co., LTD	3	
Angang Weifang	3	
Angang Tianjin	3	
Other related parties	4	2
Total	1,844	1,332

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

(2) Other receivables

(a) Nature of other receivables

Type	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Other receivables with significant single amount subject to individual impairment	75	83		
Other receivables with insignificant single amount subject to individual impairment	16	17		
Total	91	100		

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)**(2) Other receivables (Continued)**

(a) Nature of other receivables (Continued)

Type	Book value		Opening balance	
	Balance	Percentage (%)	Balance	Bad debt provision Percentage (%)
Other receivables with significant single amount subject to individual impairment	26	70		
Other receivables with insignificant single amount subject to individual impairment	11	30		
Total	37	100		

Note: The increase of other receivables as compared with the end of the previous year was mainly due to the increase of sales agency fees due from Angang Group Chaoyang Anling Iron & Steel Co. Ltd ("Anling Steel") attributable to the asset exchange with the original Angang Trade.

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

(2) Other receivables (Continued)

(b) Aging of other receivables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	81	89	27	73
1 to 2 years				
2 to 3 years			8	22
Over 3 years	10	11	2	5
Total	91	100	37	100

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

The management considered that major other receivables could be recovered and the debtors were able to fulfill their obligations, so bad debt provision is relatively low.

(d) The Company has no other receivables due from shareholders with more than 5% (including 5%) voting right of the Company at the end of this period.

(e) Related party transactions are disclosed as follows:

Items	Closing balance	Opening balance
Anling Steel	51	26
Total	51	26

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)**(3) Long-term equity investments**

(a) Types of long-term equity investments

Type	Opening balance	Increase of the period	Decrease of the period	Closing balance
Investments in subsidiaries	3,276	309	3,050	535
Investments in joint ventures	1,616	215	414	1,417
Investments in associates	655	53	35	673
Other equity investments	463	230		693
Less: Provision for impairment of long-term equity investments				
Total	6,010	807	3,499	3,318

Note: The decrease in long-term equity investments as compared with the end of the previous year was mainly due to the disposal of subsidiary Tianjin Tiantie and Angang Putian.

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

(3) Long-term equity investments (Continued)

(b) Details of long-term equity investments

Investees	Accounting method	Initial investment cost	Opening balance	Changes of the period	Closing balance
ANSC-TKS	Equity method	533	1,254	(212)	1,042
ANSC-Dachuan	Equity method	190	224		224
Changchun FAM	Equity method	45	86		86
TKAS-SSC	Equity method	48	52	13	65
Angang Shenyang	Equity method	31	29	(29)	
TKAS	Equity method	37	57	10	67
Entity Packing	Equity method	11	5		5
Angang Finance	Equity method	315	563	37	600
Iron Oxide Powder	Equity method	1	1		1
Angang Wuhan	Cost method	108	108		108
Angang Hefei	Cost method	98	98		98
Angang Guangzhou	Cost method	20	20		20
Shenyang Trading	Cost method	24		24	24
Shanghai Trading	Cost method	6		6	6
Tianjin Trading	Cost method	6		6	6
Chengdu Trading	Cost method	1		1	1
Guangzhou Trading	Cost method	18		18	18
Angang Shenyang	Cost method	98		98	98
Angang Weifang	Cost method				
Angang Shanghai	Cost method	19		19	19
Angang Tianjin	Cost method	27		27	27
Angang Dalian	Cost method	110		110	110
WISDRI	Cost method	35	35		35
Tianjin Tiantie	Cost method	1,850	1,850	(1,665)	185
Longmay Group	Cost method	220	220		220
Falan Packing	Cost method	21	21		21
Dalian Shipyard	Cost method	151	151		151
China Shipbuilding	Cost method	10	10		10
Dalian Steel	Cost method	68	23	45	68
Angang Putian	Cost method	1,200	1,200	(1,200)	
Guoqi Lightweight	Cost method	3	3		3
Total			6,010	(2,692)	3,318

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

(3) Long-term equity investments (Continued)

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

Investees	Proportion of shareholding (%)	Proportion of voting-rights (%)	Difference between proportions of voting- rights and shareholding	Impairment	Impairment made this period	Cash dividends
ANSC-TKS	50	50				400
ANSC-Dachuan	50	50				
Changchun FAM	50	50				
TKAS-SSC	50	50				
Angang Shenyang TKAS	45	45				
Entity Packing	30	30				
Angang Finance	20	20				
Iron Oxide Powder	30	30				
Angang Wuhan	100	100				
Angang Hefei	100	100				
Angang Guangzhou	51	51				
Shenyang Trading	100	100				
Shanghai Trading	100	100				
Tianjin Trading	100	100				
Chengdu Trading	100	100				
Guangzhou Trading	100	100				
Angang Shenyang	100	100				
Angang Weifang	51	51				
Angang Shanghai	51	51				
Angang Tianjin	51	51				
Angang Dalian	100	100				
WISDRl	7	7				
Tianjin Tiantie	5	5				
Longmay Group	1	1				
Falan Packing	15	15				
Dalian Shipyard	15	15				
China Shipbuilding	10	10				
Dalian Steel	15	15				
Angang Putian	0	0				
Guoqi Lightweight	7	7				
Total						400

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

(4) Operating income and operating cost

(a) Operating income and operating cost

Items	This period	Last period
Operating income from main business	36,982	38,404
Other operating income	28	17
Total	37,010	38,421
Operating cost for main business	32,488	37,174
Other operating cost	20	22
Total	32,508	37,196

(b) Main business by industry

Industry nature	This period		Last period	
	Operating income from main business	Operating cost for main business	Operating income from main business	Operating cost for main business
Ferrous metal smelting and steel rolling process	36,982	32,488	38,404	37,174
Total	36,982	32,488	38,404	37,174

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)**(4) Operating income and operating cost (Continued)**

(c) Main business by products

Product types	This period		Last period	
	Operating income from main business	Operating cost for main business	Operating income from main business	Operating cost for main business
Hot-rolled products	13,196	11,834	14,325	13,787
Cold-rolled products	13,160	10,993	13,537	13,067
Medium-thick plates	4,493	3,953	5,087	4,833
Others	6,133	5,708	5,455	5,487
Total	36,982	32,488	38,404	37,174

(d) Operating income by regions

Regions	This period		Last period	
	Operating income	Operating cost	Operating income	Operating cost
China	33,892	29,584	34,911	33,765
Overseas	3,090	2,904	3,493	3,409
Total	36,982	32,488	38,404	37,174

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

(4) Operating income and operating cost (Continued)

(e) Top five customers

Period	Income from top five customers	Proportion (%)
This period	6,354	17
Last period	8,277	22

(5) Investment income

(a) Details of investment income

Items	This period	Last period
Long-term equity investment income measured at cost method	1	
Long-term equity investment income measured at equity method	261	201
Investment income from disposal of long-term equity investments	(590)	
Total	(328)	201

Note: The decrease of investment income during this period as compared with last period was mainly due to the disposal of subsidiary Tianjin Tiantie and Angang Putian, which generated investment loss.

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)**(5) Investment income (Continued)**

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

Investee	This period	Last period
Falan Packing	1	
Total	1	

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

Investee	This period	Last period
ANSC-TKS	205	135
Angang Finance	37	41
TKAS	10	9
Changchun FAM	5	6
TKAS-SSC	4	6
ANSC-Dachuan		5
Angang Shenyang		(1)
Total	261	201

(d) Investment income from disposal of long-term equity investments

Investee	This period	Last period
Tianjin Tiantie	(527)	
Angang Putian	(63)	
Total	(590)	

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

(6) Supplement to cash flow statement

Items	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	186	(1,788)
Add: Provision for impairment	63	(243)
Depreciation of fixed assets	2,075	2,639
Amortization of intangible assets	80	76
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("–" for gains)		(20)
Loss on scrap of fixed assets	9	1
Loss on the change of fair value		
Financial expenses	686	760
Investment loss	328	(201)
Decrease in deferred tax assets ("–" for increase)	(56)	(637)
Increase in deferred tax liabilities ("–" for decrease)		
Decrease in inventories ("–" for increase)	(236)	1,551
Decrease in operating receivables ("–" for increase)	3,520	(5,514)
Increase in operating payables ("–" for decrease)	2,930	5,453
Others	36	43
Net cash inflow from operating activities	9,621	2,120

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)**(6) Supplement to cash flow statement (Continued)**

Items	This period	Last period
2. Change in cash and cash equivalents		
Cash at the end of the period	1,282	1,312
Less: Cash at the beginning of the period	884	1,183
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	398	129

16. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	24,258	26,989
Less: current liabilities	32,488	43,955
Net current assets/(liabilities)	(8,230)	(16,966)

17. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	88,116	101,237
Less: current liabilities	32,488	43,955
Total assets less current liabilities	55,628	57,282

18. SUPPLEMENTARY DOCUMENTS

(1) Non-recurring gains and losses

Items	This period	Last period
Gains/losses from disposal of non-current assets	29	19
Government grant which recorded into profit/loss of current period except that relevant to enterprise operation and in compliance with government policies	63	18
Net profit or loss generated by merging subsidiaries by business combination under common control from the beginning of the period to the combination date	(2)	
subtotal	90	37
Effect on taxation	(23)	(9)
Effect on minority interest (after tax)		
Total	67	28

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)

18. SUPPLEMENTARY DOCUMENTS (CONTINUED)**(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	1.50	0.097	0.097
Net profit (exclusive of non-operating profit) attributable to ordinary shares	1.36	0.088	0.088

Note:

- (i) $\text{Weighted average ROE} = \frac{P_0}{(E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)}$
- P_0 refers to the net profit attributable to ordinary shares and net profit (exclusive of non-operating profit) attributable to ordinary shares
- NP refers to the net profit attributable to ordinary shares
- E_0 refers to the net assets attributable to ordinary shares
- E_i refers to the additional of net assets attributable to ordinary shares resulted from issuing the new shares or converting from convertible debentures in reporting period
- E_j refers to the reduction of net assets attributable to ordinary shares resulted from share repurchase or cash dividend in reporting period
- M_0 refers to the months of reporting period.
- M_i refers to the duration from the second month since the additional of share capital occurred to the end of reporting period
- M_j refers to the duration from the second month since the share capital withdrawn occurred to the end of reporting period
- E_k refers to the change of net assets resulted from other transaction and matters
- M_k refers to the duration from the second month since the variation of net assets resulted 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) Compared with RMB 1,720 million of the last period, the net cash inflow from operating activities of this period was RMB 10,663 million. The increase is mainly due to the decline in raw material and fuel prices, thus reducing cash outflow to the purchase of goods and services.
- (ii) Compared with RMB -1,530 million of the last period, the net cash inflow from investing activities of this period was RMB 161 million. The increase is mainly due to the reduction in cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets and the cash received from assets exchange and share transfer transaction.
- (iii) Compared with RMB 65 million outflow of the last period, the net cash inflow from financing activities this period was RMB -10,980 million. The decrease is mainly because the cash received from loans is less than that of liability repayment.

Documents Available for Inspection

1. Counterpart of 2013 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.

Note: This report is prepared in both Chinese and English language. In the event of any discrepancy in interpreting the Chinese and English document, the Chinese document shall prevail.

Board of Directors
Angang Steel Company Limited*

29 August 2013

* *For identification purposes only*



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