



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

(Stock Code : 0347)

2013

Annual
Report



* For identification purposes only

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Corporate Profile

The Board, Supervisory Committee, the Directors, the Supervisors and the senior management of the Company guarantee the truthfulness, accuracy, and completeness of the contents of this report, and that there is no false representation or misleading statement contained in, or material omission from this report, and severally and jointly undertake the legal liability for it.

Zhang Xiaogang, the Company's Chairman and the person in charge, Ma Lianyong, Chief Accountant and Che Chengwei, person in charge of the accounting institution guarantee the truthfulness, accuracy and completeness of the financial report in this report.

CORPORATE PROFILE

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

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

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

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

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

CORPORATE PROFILE *(CONTINUED)*

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

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

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

Corporate Profile *(continued)*

CORPORATE PROFILE *(CONTINUED)*

1. Corporate profile

Stock Exchange Listings	Shenzhen Stock Exchange
Stock Abbreviation	*ST Angang
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
Registered Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC
Postal Code of the Registered Address	114021
Business Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC
Postal Code of Business Address	114021
Website of the Company	http://www.ansteel.com.cn
E-mail of the Company	ansteel@ansteel.com.cn

2. Contact persons and contact methods

	Secretary to the Board	Securities Affairs Representative
Name	Ma Lianyong	Jin Yimin
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
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3. Information disclosure and places for inspection

Company's Designated PRC Newspapers for Disclosure of Information	China Securities Journal, Securities Times,
Website for Publication of Annual Report Designated by CSRC	http://www.cninfo.com.cn
Website for Disclosure of the Company's Information Overseas	http://www.hkex.com.hk and http://angang.wspr.com.hk
Company's Annual Report Available at	Secretarial Office of the Board of the Company

Summary of Accounting Figures and Financial Indicators

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Unit: RMB' million

Items	2013	2012		Changes over the preceding year (%) After adjustment	2011	
		Prior to adjustment	After adjustment		Prior to adjustment	After adjustment
Operating income	75,329	77,748	78,214	-3.69	90,423	91,289
Operating profit	664	-5,563	-5,390	112.32	-3,446	-3,217
Total profit	728	-5,496	-5,320	113.68	-3,281	-3,049
Net profit attributable to the owner of the listed company	770	-4,157	-4,025	119.13	-2,146	-1,978
Net profit attributable to the shareholders of the listed company after extraordinary items	695	-4,207	-4,077	117.05	-2,270	-2,105
Net cash flow from operating activities	10,563	1,453	2,568	311.33	4,663	5,797
Basic earnings per share (RMB/share)	0.106	-0.575	-0.556	119.06	-0.297	-0.273
Diluted earnings per share (RMB/share)	0.106	-0.575	-0.556	119.06	-0.297	-0.273
Basic earnings per share after extraordinary items (RMB/share)	0.096	-0.581	-0.564	117.02	-0.314	-0.291
Diluted earnings per share after extraordinary items (RMB/share)	0.096	-0.581	-0.564	117.02	-0.314	-0.291
Returns on net assets on weighted average basis (%)	1.64	-8.54	-8.29	Increased by 9.93 percentage points	-4.09	-3.76
Return on net assets on weighted average basis after extraordinary items (%)	1.48	-8.64	-8.39	Increased by 9.87 percentage points	-4.33	-4.01

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

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS (CONTINUED)

Items	2013	2012		Changes over the preceding year (%) After adjustment	2011	
		Prior to adjustment	After adjustment		Prior to adjustment	After adjustment
Total assets	92,865	101,237	103,337	-10.13	102,988	105,013
Total liabilities	45,775	53,008	54,304	-15.71	50,683	51,841
Equity attributable to the shareholders of the listed company	47,026	46,598	47,358	-0.70	50,751	51,570
Net assets per share attributable to the shareholders of the listed company (RMB/share)	6.50	6.44	6.55	-0.76	7.01	7.13
Assets-liability ratio (%)	49.29	52.36	52.55	Decreased by 3.26 percentage points	49.21	49.37
Total share capital	7,235	7,235	7,235	—	7,235	7,235

II. EXTRAORDINARY ITEMS AND AMOUNTS AFFECTED ON PROFIT

Unit: RMB' million

Extraordinary items		2013	2012	2011
1	Gains or losses from disposal of non-current assets	-9	11	7
2	Government subsidies (except for government subsidies which are closely related to the Company's normal operations, in compliance with requirements of the national policies and entitled continuously in a fixed amount or quantity in conformity with the applicable standards) attributable to gains or losses for the period	113	63	190
3	Net gains/losses of subsidiaries during the current period from business combinations under the common control from the beginning of the period to the combination date	-2		
4	Other non-operating income and expenses apart from those stated above	-2	-4	-28
5	Effect of income tax	-25	-18	-42
Total		75	52	127

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

Chairman's Statement



On behalf of the Board of Angang Steel Company Limited, I am pleased to present the annual report of the Company for the year ended 31 December 2013 and hereby extend my regards to all shareholders.

OPERATING RESULTS FOR 2013:

In accordance with the PRC ASBE, the Group recorded a net profit attributable to shareholders of the Company of RMB770 million and basic earnings per share of RMB0.106 for the year ended 31 December 2013. The net loss attributable to shareholders of the Company for the year ended 31 December 2012 was RMB4,025 million.

Chairman's Statement *(continued)*

PROFIT DISTRIBUTION:

As audited and confirmed by Ruihua Certified Public Accountants (Special General Partnership), the Company recorded net profit of RMB770 million attributable to shareholders of the Company for the year of 2013 in accordance with the PRC ASBE. At the year end of 2013, profit distributable to shareholders of the Company amounted to RMB5,054 million. On the basis of the total share capital consisting 7,234,807,847 shares, the Board proposes to distribute cash dividend of RMB0.027 per share (including tax) to shareholders for the year of 2013, which amounts to RMB195 million of the distributable profits. Upon implementing such proposal, distributable profits of RMB4,859 million will remain. This proposal shall be subject to consideration at the forthcoming 2013 annual general meeting. Upon approval of the annual general meeting of 2013, the Company will distribute final dividend to H shareholders of the Company whose names appear on the register of H shareholders of the Company at the close of business on Monday, 5 May 2014 in accordance with the dividend distribution plan.

Pursuant to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Implementation Rules for the EIT Law (《中華人民共和國企業所得稅法實施條例》) which came into effect on 1 January 2008, any Chinese domestic enterprise which pays dividends to a non-resident enterprise shareholder shall withhold and pay 10% enterprise income tax for such shareholder. Accordingly, when the Company distributes dividend for year 2013 to its shareholders, it will withhold and pay 10% enterprise income tax for non-resident individual, enterprise shareholders (including HKSCC (Nominees) Limited, other agents, custodians and other groups or organizations). The amount of dividend with such tax withheld will amount to RMB0.0243 per share (for reference only).

BUSINESS REVIEW:

In 2013, the steel and iron industry of China remained sluggish. The contradictory relationship between supply and demand was still severe. The price of iron ore remained high but that of steel stayed low. Steel and iron enterprises were confronting enormous pressure. Faced with such difficult situation, the Company focused on resolving constraints which hindered its development with focus on various aspects such as adjusting its operating model, reforming its internal systems, enhancing profitability of key areas and improving productivity. It has achieved the operation goal of conversion from losses to profitability for the year.

BUSINESS REVIEW: (CONTINUED)

1. Optimizing production structure and operating steadily and efficiently

During the Reporting Period, the Group produced 21,630,700 tons of iron, 20,817,000 tons of steel and 19,369,500 tons of steel products, representing an increase of 6.62%, 6.05% and 1.46%, respectively, as compared with the same period of the previous year. Sale of steel products reached 19,018,300 tons, representing an increase of 0.75% as compared with the same period of the previous year. The Group also realized a 98.19% sale-to-production ratio for steel products.

In 2013, the Company strengthened its management of production and operation in accordance with the principle of “steady and smooth operations, growth in scale, structural adjustment, index improvement, and reduction in energy consumption to create profitability”. It coordinated the production in the Company and Bayuquan Branch Company (鮫魚圈分公司) and improved the quality of production and operation comprehensively. It optimized the production structure and balance of materials and reasonably adjusted coal blending and ore proportioning. It strengthened its monitoring of blast furnace, optimized technology and solved the bottleneck issues of production thereby increasing the production volume steadily.

2. A keen focus on key stages, achieved new breakthrough in cost reduction and efficiency enhancement

The Company optimized the procurement strategy continuously thereby significantly reducing the procurement costs. The Company analyzed the market in order to purchase at low prices and avoid high prices. It pinpointed spot resources prior to the occurrence of low prices to reduce procurement cost. It optimized the procurement structure and expanded its scope of sourcing. It introduced high price-to-performance resources and promoted optimization of the structure of coal blending and ore proportioning.

It strived to overcome technological bottlenecks and continuously improved its major techno-economic indices. It pressed ahead the improvement in coal quality and reduction of tar and implemented technological measures such as oxidized pulverization (富氧大噴吹) to reduce the consumption of coke. It optimized the balance of the systems and the connection of production and sales to improve the execution of contracts. It deeply explored the potential of waste steel and adjusted the structure of steel and iron materials to reduce the cost of cast iron and made fine adjustments to coal blending and ore proportioning, proactively connecting with the raw materials market. It fully utilized the synergy of coordination between the Company and external resources and recycled the internal miscellaneous material resources in order to operate with low raw material costs. In 2013, 17 major technological and economic indices of the Company's headquarter achieved year-on-year improvement, among which six were the best in history. 16 major technological and economic indices of Bayuquan Branch Company obtained year-on-year improvement, among which 13 were the best in history.

Chairman's Statement *(continued)*

BUSINESS REVIEW: (CONTINUED)

2. A keen focus on key stages, achieved new breakthrough in cost reduction and efficiency enhancement *(Continued)*

There was comprehensive improvement in its lean management. The benefit created by energy consumption was up at a new level. The Company insisted on the principle of “more recycling, maintaining of power generation, zero diffusion, benefit creation”, perfecting the connection among the procedures of iron-making, steel-making and steel-rolling to enhance the efficiency of energy utilization. It improved the efficiency of recycling of residual heat and energy. It promoted multi-scale water tariff management and the new water consumption recorded a new breakthrough. Composite energy consumption per ton of steel of the Company of the year was the best in history, which accelerated the implementation of contracted energy management projects effectively. 19 contractual energy management projects commenced during the year. Energy operation and management was strengthened. Energy selling and distribution channels were broadened. Varieties of energy products for sale were diversified.

It optimized its logistics management system in order to achieve significant reduction in the logistics cost. It cancelled excessive inventories, shortened the procurement radius in accordance with the principle of “concentration, efficiency and services”. Leveraging its advantage of integration and intensification of logistics and resources, and gradually affirmed its greater logistics management and control mode. In terms of production logistics, intensive management and regional linkage were implemented to enhance logistics efficiency. In terms of sales logistics, it organized large ships for transportation and implemented “one-bill sales (一票制銷售)”. Logistics operations in Southern China region have been operating very efficiently.

The Company actively expanded financing channels and significantly reduced financing costs through various means including issuing, discounting and endorsing bills, interest payment by purchaser, import and export documentary bills and financing business, rolling over loans in accordance with discount interest rates, providing loans by swapping medium-term notes, issuing short-term financing bills and letter of credit, adjusting borrowing structure so as to allocate funds and alternative financing flexibly.

3. Enhancing marketing with great efforts, sales and marketing has reached new level

The Company strengthened the exploration of directly supplied enterprises and new customers. Senior management of the Company led teams to visit a number of downstream key users such as PetroChina (中石油), Sinopec, China Railway Corporation and FAW (一汽) to extend the cooperation with its strategic customers and achieved remarkable results.

It innovated its channels and repositioned the sales branches with reference to the changes of demand in the market. It adjusted and refined its regional layout, in particular sales branches such as Ningbo Company (寧波公司) and Yantai Company (煙台公司) were newly established. It implemented innovative sales approaches, such as launching in various regions spot retailing, bidding, entrusted sales, online sales and other methods for products such as hot rolled, medium and thick plates, cold rolled, galvanized steel and other products.

BUSINESS REVIEW: (CONTINUED)

3. Enhancing marketing with great efforts, sales and marketing has reached new level *(Continued)*

It established a commercial platform especially for the Company by cooperating with a third party professional website thereby achieving a breakthrough in its online sales and is gradually developing towards electronic commerce.

It also closely monitored major engineering projects. The Company was the bid winner of various important engineering projects, including the projects of Bridge Plates for the Verrazano Bridge of the United States (50W Corten Steel for construction of bridges) and Guangxi Beihai Liquefied Natural Gas Tank of Sinopec (9Ni steel plates for 160,000 cubic tank engineering). It completed the Project of PetroChina Tangshan Liquefied Natural Gas (9Ni steel plates for 160,000 cubic tank engineering).

It established a positive interactive system of internal and external trading market and actively expanded its market share of exportation. It introduced structural adjustment in its export products and strived to expand the exportation of high value-added products. The sales for export settlement of the year amounted to 1,725,100 tons.

4. Strengthening the capacity of technological development and research, steadily implementing the strategy of quality products and varieties

The result of technological development and research is excellent. The Company launched 196 technological research projects in the year, among which 22 were national projects, 16 were significant research and development projects. It received 29 awards including the Metallurgical Science and Technology Progress Award (冶金科技進步獎). In terms of the management intellectual property rights, 641 patents were accepted by the state, among which 341 were patents of invention. 642 patents were authorized by the state, among which 132 were authorized patents of invention.

The development of new products, leading exclusive products and strategic products was accelerating. 105 new products were filed in the year. It entered into 102 agreements for new products development. It distributed 130 product quality plans and developed 109 new steel types. It mainly refined 56 key types of steel which accumulatively produced 9,920,000 tons, representing a year-on-year increase of 1,750,000 tons. The Company reinforced quality survey and improvement on its "3Hs" products, namely high technology, high added value and high sales volume. The key quality indicators improved continually, and significant economic benefits were accomplished. In particular, satisfactory results were 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, as well as the development of ultra high-strength plates for ships.

It enhanced its technological services to its customers and closely cooperated with the downstream enterprises. It entered into technological cooperation agreements with nine enterprises such as TIPO Group (中油天寶). The Company ensured satisfactory promotion and application of its three major product series of steel plates for nuclear power by entering into 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.

Chairman's Statement *(continued)*

BUSINESS REVIEW: (CONTINUED)

5. Optimizing internal systems and improving corporate management quality

It optimized its institutional settings and accelerated innovation in its systems. It optimized and integrated the marketing, procurement, logistics, energy management and control businesses and resources of the Company, and established five major functional centres.

The Company strengthened the corporate management as part of its efforts to upgrade the management quality. It implemented multi-scale performance management and promoted differentiated appraisal which effectively created organic linkage between the work targets, performance and income. The Company's "Management of Cost Reduction and Efficiency Enhancement for the Iron Smelting Enterprise in Response to Tough Market Situation" (《應對嚴峻市場形勢的煉鐵企業降本增效管理》) won the second prize of the Twentieth National-level Enterprises Management Innovations (第二十屆國家級企業管理創新成果二等獎), while Bayuquan Branch Company's "Reform of the Market-oriented Operational Mechanism Focusing on Cost Control at Different Levels" (《以層級成本控制為核心的市場化運營機制變革》) was recognised as the Eighth National Successful Management Case of Outstanding Enterprises (第八屆全國優秀企業管理成功案例).

The Company enhanced the safety and environmental protection so as to achieve green production. Strictly implementing the accountability system of safe production, the Company promoted "One Position with Dual Responsibilities" (一崗雙責), which improved the management and control of safety. The environment in the production area continued to improve, achieving the goal of zero accident of significant environmental pollution. The work of green iron and steel saw continuous progress as the Company implemented energy saving and emission reduction, improved recycling economy and fostered efficiency in the use of energy.

DEVELOPMENT PLANS FOR THE NEW YEAR:

1. Competition landscape and development trend in the industry

Favourable factors: macro-situation has improved in a certain extent. The 3rd Plenary Session of the 18th CPC Central Committee and Central Economic Work Conference were convened with further advancement of reform of economic system and facilitation of industrialization, IT application, urbanization, agricultural modernization. The 2014 Report on the Work of the Government set the expected development objective of economy and society as an increase of around 7.5% in GDP, which would drive the demands for steel products. In respect of international situation, the United States, Europe and Japan are undergoing apparent recovery, facilitating the optimisation of export environment for China's steel industry. The capacity of iron ore at home and abroad was significantly released to basically form a state of oversupply. It is estimated that great fluctuation and downward trend of price of iron ore and low price of coke would relieve the pressure of steel enterprises for raw materials and fuels.

Unfavourable factors: the pressure of industry situation will remain. In respect of capacity, the output of crude steel will remain high. In terms of environmental protection requirements, significant increase in pressure of the steel enterprises on environmental protection will result in tighter policies to be issued, so as to ascend steel enterprises' pressure on environmental protection cost. The growth in investment in fixed assets is slowing down and the growth of demands from downstream industries is falling, thus it is difficult for the situation of oversupply in the steel industry to change in a short term. The situation of demand is severe, as output of major steel enterprises remain high and price of steel will continue to be subject to pressure.

DEVELOPMENT PLANS FOR THE NEW YEAR: *(CONTINUED)*

2. Future development strategies

The Company will enhance its independent innovation, optimize the industrial layout, build high-quality bases, improve its core competitiveness, implement green manufacturing and achieve scientific development.

3. Operation plan for the Year of 2014

2014 is a critical year for the Company to reaffirm its basis of conversion from losses to profitability, improve its profitability and accomplish the targets of transformation and upgrades. Following the guideline of "elements integration, efficiency and professionalism, wastes reduction and recycling", the Company will strive to "prevent and control risks in order to stabilise the operating environment, use the benchmarking to determine the gap and expand the index margin, optimize the structure and adjust the portfolio with a view to enhancing the capacity to create benefits, break down the targets to specify the responsibility for each project", in order to improve the quality and efficiency of operation and ensure that each production and operation task of the year can be completed.

- (1) Implement target based benefit creation model in order to enhance the capacity of reform and innovation.
- (2) Expand the production scale in order to enhance the capacity of stable production and efficiency.
- (3) Adjust the product mix in order to enhance the capacity of innovation and benefits creation.
- (4) Improve the techno-economic indicators in order to enhance the capacity of reducing cost and enhancing efficiency.
- (5) Strengthen the energy management in order to enhance the capacity of creating benefits through energy.
- (6) Implement management improvements in order to enhance lean management capability.

4. Plans for funding requirements

For the year of 2014, capital investment of RMB6,413 million is planned to be injected into the Group's main construction projects such as the chemical coke oven renovation project (phase 5), the North-South coal field renovation project and the chemical tar plant renovation and other external investments.

The main sources of funding for the Group in 2014 are: ultra-short-term financing bills, short-term financing bills, medium-term notes, cash flows generated by operating activities and bank loans.

Chairman
Zhang Xiaogang

Anshan City, the PRC
28 March 2014

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements for the year ended 31 December 2013.

I. PRINCIPAL BUSINESS

The Company is a major steel manufacturer in the PRC. Its principal business includes production and sale of products including hot rolled products, cold rolled products, medium and thick plates and other steel products.

Composition of the principal businesses in 2013

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	75,091	66,766	11.09	-3.72	-11.73	8.07
By products						
Hot-rolled sheets products	26,266	24,018	8.56	-3.35	-9.37	6.07
Cold-rolled sheets products	26,493	22,438	15.31	-11.19	-21.76	11.45
Medium and thick plates	9,123	8,210	10.01	-3.18	-8.59	5.33

I. PRINCIPAL BUSINESS *(CONTINUED)*

Composition of the principal businesses in 2013 *(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 products. The decrease in operating cost was mainly due to (i) the decrease in the purchasing prices of raw materials and fuels as the Company increased the volume of strategic procurement while the market price declined and (ii) the decrease in the processing cost attributable to the increase in product outputs, improvement of technical and economic indicators, reduction of energy consumption, optimisation of ore blending and reduction of depreciation expenses; the increase in gross profit margin was mainly attributable to (i) the production of products with higher profitability as a result of further restructuring our product structure and (ii) a more significant decrease in the costs of the Company as compared with the decrease in steel prices.
- 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 of the Group as Angang Tiantie ceased to be included in the consolidated statements of the Group upon the Company's disposal of 45% of equity interests in Angang Tiantie. The decrease in operating cost was due to (i) the decrease in the processing cost attributable to the Company's efforts in reducing the costs through improving the economic and technical standards as well as reducing energy consumptions and depreciation expenses; (ii) the decrease in the purchasing prices of raw materials and fuels as the Company increased the volume of strategic procurement while the market price declined and (iii) the decrease in the product sales volume. The increase in gross profit margin was mainly attributable to (i) the production of products with higher profitability as a result of further restructuring our product structure and (ii) a more significant decrease in the costs of the Company as compared with the decrease in steel prices.
- 3) The decrease in operating income from medium and thick plates to some extent as compared with the corresponding period of the previous year was primarily due to the decrease in the prices of products. The decrease in operating cost was due to (i) the decrease in depreciation expense and the processing cost attributable to the Company's unswerving promotion of the operation solutions such as costs reduction and efficiency enhancement and (ii) the increase in efforts to make procurement at appropriate time and the decrease in the market prices, resulting in decrease in the prices of raw materials and fuels. The increase in gross profit margin was mainly attributable to (i) the production of products with higher profitability levels as the Company endeavoured to adjust the product mix and (ii) a more significant decrease in the cost of the Company as compared with the decrease in steel prices.

Report of the Directors *(continued)*

I. PRINCIPAL BUSINESS *(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	27,728	-0.62
North China	5,882	-30.65
East China	18,326	3.44
South China	14,832	-0.23
Central south China	843	-6.53
Northwest China	461	1.32
Southwest China	183	6.94
Export sales	6,836	-8.84
Total	75,091	-3.72

II. CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR

In accordance with the actual situation of fixed assets of the Group, relevant departments re-evaluated and approved the actual service life of each class of fixed assets and decided to adjust depreciation life of fixed assets since 1 January 2013, which was approved at the 39th meeting of the fifth session of Board by way of vote. The details are as follows:

Class of fixed assets	Before change		After change	
	Estimated life span (year)	Depreciation rate each year (%)	Estimated life span (year)	Depreciation rate each 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 RMB1,200 million in the depreciation of fixed assets and an increase of RMB900 million in the shareholders' interest and net profit of the Company in 2013.

Report of the Directors *(continued)*

III. CHANGES IN THE CONSOLIDATION SCOPE OF THE GROUP DURING THE YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR

On 30 January 2013, the Company convened its first extraordinary general meeting in 2013 for consideration and approval of the following resolutions: Resolution in relation to Assets Exchange between the Company and Angang Trade (《關於本公司與鞍鋼國貿進行資產置換的議案》) and Resolution in relation to the Equity Transfer between the Company and Angang Holding (《關於本公司與鞍山鋼鐵進行股權轉讓的議案》). Pursuant to the above resolutions, the Company exchanged its 80% equity interest in Angang Putian with the Assets of the Domestic Trade Business of Angang Trade (including equity interest in nine domestic trading subsidiaries) while Angang Holding acquired 45% equity interest of Angang Tiantie owned by the Company. The aforementioned assets exchange and share transfer transactions were completed on 31 January 2013.

1. Subsidiaries newly incorporated into the Group during the year

Unit: RMB million

Name of subsidiaries	Net assets at the end of the year	Net profit for the year
Yantai Trade	6	—
Ningbo Trade	6	—
Angang Dalian	109	-1
Angang Shenyang	92	-7
Angang Tianjin	52	—
Shenyang Trade	8	-6
Angang Shanghai	40	2
Guangzhou Trade	16	1
Tianjin Trade	7	—
Shanghai Trade	-32	-37
Chengdu Trade	6	4
Angang Weifang	1	—

2. Companies excluding from the consolidation scope in this year

Unit: RMB million

Name	Net assets on the date of disposal	Net profit from the beginning of the year to the date of disposal
Angang Tiantie	2,604	-29
Angang Putian	1,430	-5

IV. DISTRIBUTION OF PROFIT AND DIVIDEND PAYMENT BY THE COMPANY

- Formulation, implementation and adjustment of profit distribution policy, especially cash dividend policy, during the Reporting Period

Pursuant to the Notice regarding Further Implementation of Cash Dividends Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) issued by the CSRC, the 37th meeting of the fifth session of the Board of the Company held on 27 August 2012 considered and approved the Resolution in Relation to Amendments to the Articles of Association (《關於修改〈公司章程〉的議案》), which amended the dividend distribution policy of the Company and clarified the specific conditions and ratios of cash dividend, the review procedures of profit distribution plan and made specific requirement for the procedures of adjustments and changes of the profit distribution policy. The resolution has been approved by the general meeting of the Company.

The Company's profit distribution policy was in compliance with the provisions of the Articles of Association and review procedures, and fully protected the lawful interests of minority investors. Independent Directors have issued opinions and the policy has clear criteria and ratios of dividend distribution. Adjustments and changes of the profit distribution policy were made in lawful and transparent conditions and procedures.

- Proposals and plans of profit distribution and transfer of reserve to share capital of the Company for the last three years (including the Reporting Period):

1. The profit distribution proposal of the Company in 2013

As audited and confirmed by Ruihua Certified Public Accountants (Special General Partnership), the Company recorded a net profit of RMB770 million attributable to the shareholders of the Company for the year of 2013 in accordance with the PRC ASBE. At the end of 2013, profit distributable to shareholders of the Company amounted to RMB5,054 million. On the basis of the total share capital consisting 7,234,807,847 shares, the Board proposes to distribute cash dividend of RMB0.027 per share (including tax) to shareholders for the year of 2013, which amounts to RMB195 million of the distributable profits. Upon implementing such proposal, distributable profits of RMB4,859 million will remain. This proposal shall be subject to consideration at the forthcoming 2013 annual general meeting.

2. The profit distribution plan of the Company in 2012

As the Company recorded a loss, pursuant to the PRC laws and regulations and the articles of association of the Company, the Company did not make allocation to surplus reserve for the year of 2012. The Company did not make any profit distribution or transfer of reserve to share capital for year 2012.

3. The profit distribution plan of the Company in 2011

As the Company recorded a loss, pursuant to the PRC laws and regulations and the articles of association of the Company, the Company did not make allocation to surplus reserve for the year of 2011. The Company did not make any profit distribution or transfer of reserve to share capital for year 2011.

Report of the Directors *(continued)*

IV. DISTRIBUTION OF PROFIT AND DIVIDEND PAYMENT BY THE COMPANY *(CONTINUED)*

- **Distribution of cash dividends for the last three years**

Unit: RMB' million

Year	Amounts of cash dividends (including tax)	Net profit attributable to the shareholders of the Company in the consolidated financial statement during the year	Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statement (%)
2013	195	770	25.32
2012	0	-4,025	0
2011	0	-1,978	0

Note: Net profits attributable to shareholders of the Company for the years of 2011 and 2012 are post-adjustment amounts.

V. 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	Limited liability Company (Sino-foreign cooperative venture)	Steel pressing and processing	Production and sales of hot dip galvanised steel products and alloyed steel plate	USD132 million	2,951	2,603	5,784	961	834
Angang Financial Company	Limited liability Company	Financial industry	Deposit, lending and financing	1,000	13,161	3,168	607	543	408

Report of the Directors *(continued)*

V. ANALYSIS OF THE MAJOR CONTROLLED COMPANIES AND COMPANIES WITH A PARTICIPATING INTEREST *(CONTINUED)*

Acquisition and disposal of subsidiaries during the Reporting Period

Name of subsidiary	Purpose of acquisition and disposal of subsidiaries during the Reporting Period	Method of acquisition and disposal of subsidiaries during the Reporting Period	Impact on the overall production and results
Angang Putian	In order to optimise the Company's sales system and improve the Company's anti-risk capability and profitability, certain quality assets of Angang Holding Group were transferred into the Company through asset exchange at a consideration of 80% equity interests in Angang Putian held by the Company.	Disposal of 80% equity interests in Angang Putian held by the Company	Nil
Angang Tiantie	For the purpose of improving the Company' anti-risk capability and profitability.	Disposal of 45% equity interests in Angang Tiantie held by the Company	Profit or loss on the settlement date was RMB38 million
Assets of the Domestic Trade Business of Angang Trade	In order to optimise the Company's sales system and improve the Company's anti-risk capability and profitability, certain quality assets of Angang Holding Group were transferred into the Company through asset exchange.	Acquisition of Assets of the Domestic Trade Business of Angang Trade	Profit or loss on the settlement date was RMB-2 million

VI. MAJOR SUPPLIERS AND CUSTOMERS

Sales to major customers of the Company

Total sales amount of the top five customers <i>(RMB million)</i>	14,406
Proportion of total sales amount of the top five customers over total sales amount for the year (%)	19.12

Report of the Directors *(continued)*

VI. MAJOR SUPPLIERS AND CUSTOMERS *(CONTINUED)*

Top five customers of the Company

No.	Customer name	Sales amount <i>(RMB million)</i>	As a percentage of total sales amount in the year <i>(%)</i>
1	Customer A	3,939	5.23
2	Customer B	3,267	4.34
3	Customer C	2,789	3.70
4	Customer D	2,312	3.07
5	Customer E	2,099	2.78
	Total	14,406	19.12

Major suppliers of the Company

Total purchase amount attributable to the top five suppliers <i>(RMB million)</i>	35,505
Proportion of total purchase amount attributable to the top five suppliers over total purchase amount for the year <i>(%)</i>	60.62

Top five suppliers of the Company

No.	Supplier name	Purchase amount <i>(RMB million)</i>	As a percentage of total purchase amount in the year <i>(%)</i>
1	Supplier A	14,095	24.07
2	Supplier B	13,928	23.78
3	Supplier C	3,178	5.43
4	Supplier D	2,771	4.73
5	Supplier E	1,533	2.61
	Total	35,505	60.62

Except for those disclosed in this annual report, none of the Directors, Supervisors and their associates nor any shareholder (which to the knowledge of the Directors hold 5% or more of the shares of the Company) had any interest in any of the top five suppliers or top five customers of the Company during 2013.

Report of the Directors *(continued)*

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Directors and Supervisors have entered into service contracts with the Company for a term from 8 July 2013 (or approved by the general meetings) to the election of the Directors of the seventh session of the Board and the Supervisors of the seventh session of the Supervisory Committee at the 2015 annual general meeting, and the term of the sixth session of the Board and the sixth session of the Supervisory Committee are three years. None of the Directors or Supervisors has entered or proposed to enter into a service contract with any member of the Group other than contracts expiring or determinable by the relevant employer within one year without payment of compensation (except statutory compensation).

VIII. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of its securities.

IX. PRE-EMPTIVE RIGHTS

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

X. DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

In 2013, none of the Directors or Supervisors had any material interests in any contracts in which the Company, or the holding companies or any of its subsidiaries were involved.

XI. DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the Hong Kong Listing Rules) has an interest in any business which competes or may compete with the business in which the Company or the holding companies or any of its subsidiaries are engaged.

XII. CHAPTER 13 DISCLOSURE

The Directors confirmed that there was no matter occurring in 2013 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor did the Company sign loan agreements imposing specific performance obligations on the controlling shareholders.

XIII. SUFFICIENT PUBLIC FLOAT

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

XIV. FIXED ASSETS

Changes in the fixed assets during the year are set out in note 7(11) to financial statements on pages 166 and 167 of this annual report.

XV. OPERATING RESULTS

The results of the Company for the year ended 31 December 2013 and its financial position as at that date are set out in the financial statements included in this annual report.

XVI. SHARE CAPITAL

Changes in share capital during the year are set out in note 7(30) to the financial statements on page 179 of this annual report.

XVII. RESERVES

Changes in the reserves during the year are set out in notes 7(31), 7(32) and 7(33) to financial statements on pages 180 and 181 of this annual report.

Report of the Directors *(continued)*

XVIII. EMPLOYEE RETIREMENT SCHEME

Details of the employee retirement scheme of the Company are set out in note 7(21) to financial statements on page 174 of this annual report.

XIX. CONTINUING CONNECTED TRANSACTIONS

Details of continuing connected transactions of the Company for the year are set out on pages 44 to 53 of this annual report.

XX. FIVE YEARS SUMMARY

A summary of the results and balance sheet of the Company for five years are set out on page 214 of this annual report.

XXI. AUDITOR

Ruihua Certified Public Accountants (Special General Partnership) was appointed as the Company's auditor in 2013.

The reappointment of Ruihua Certified Public Accountants (Special General Partnership) as the Company's auditor for 2014 will be proposed at the annual general meeting of 2013 to be held on 4 June 2014.

By order of the Board
Zhang Xiaogang
Chairman

28 March 2014

Report of the Supervisory Committee

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

(I) Members of the Supervisory Committee attended 4 general meetings and 4 Board meetings of the Company as non-voting participants and convened 7 supervisory meetings. The Supervisory Committee has given independent opinions and recommendations on the basis of their sufficient knowledge of the Company's major production and operation decisions as well as implementation process.

No.	Meetings	Date of the meeting	Matters considered
1	The 20th meeting of the Fifth Session of the Supervisory Committee	27 March 2013	1. The Report of the Supervisory Committee for 2012 was approved. 2. The proposal in relation to the remunerations of the supervisors for 2012 was approved. 3. The 2012 Annual Report and its summary were approved. 4. The 2012 Self-assessment Report on Internal Control was approved.
2	The 21st meeting of the Fifth Session of the Supervisory Committee	26 April 2013	1. 2013 First Quarterly Report and its summary
3	The 1st meeting of the Sixth Session of the Supervisory Committee	8 July 2013	1. Resolution in relation to the Election of the chairman of the Six Session of the Supervisory Committee.
4	The 2nd meeting of the Sixth Session of the Supervisory Committee	29 August 2013	1. 2013 Interim Report.
5	The 3rd meeting of the Sixth Session of the Supervisory Committee	29 October 2013	1. 2013 Third Quarterly Report was approved.
6	The 4th meeting of the Sixth Session of the Supervisory Committee	7 November 2013	1. The resignation of Mr. Su Wensheng as a supervisor and chairman of the Supervisory Committee of the Company was approved. 2. Mr. Xu Zhiwu was nominated as a candidate for supervisor of the Company.
7	The 5th meeting of the Sixth Session of the Supervisory Committee	31 December 2013	1. The election of Mr. Xu Zhiwu as the chairman of the Supervisory Committee of the Company.

Report of the Supervisory Committee *(continued)*

(II) In 2013, the Supervisory Committee of the Company monitored the Company's operations to ensure compliance with the relevant laws and regulations, such as the Company Law, and the articles of association of the Company. It examined the connected transactions entered into between the Company and Anshan Iron and Steel Group Complex*. The Supervisory Committee raised no objection to monitoring issues during the Reporting Period.

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

1. During the year, the Company's operations had complied with laws and no violation of regulations had occurred. The Company has comprehensive internal control system and the decision making procedures of the Company complied with applicable laws.
2. None of the Directors and senior management of the Company had violated any laws or regulations or the articles of association of the Company when performing their duties or had otherwise acted in a manner which infringed upon the interests of the Company.
3. The Company's financial report truly reflected the Company's financial position and operating results.
4. The acquisitions of assets were carried out by the Company at reasonable prices and there was no insider dealing or any damage to part of the shareholders' interests or any loss to the Company's assets.
5. During the year, routine continuing connected transactions and other connected transactions were conducted on a fair basis in the Company's production and operation. There was no insider dealing and the interests of the Company were not adversely affected.

On behalf of the Supervisory Committee

Xu Zhiwu

Chairman of the Supervisory Committee

28 March 2014

Management Discussion and Analysis

I. ANALYSIS OF PRINCIPAL BUSINESS

1. Overview

Unit: RMB' million

Item	Reporting Period	Corresponding period of the previous year	Increase/ decrease of the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Operating income	75,329	78,214	-3.69	
Operating costs	66,929	75,892	-11.81	
Marketing expenses	1,743	1,359	28.26	Note 1
Administrative expenses	3,270	3,041	7.53	
Financial expenses	1,218	1,846	-34.02	Note 2
Total profit	728	-5,320	113.68	Note 3
Net profit attributable to shareholders of the Company	770	-4,025	119.13	Note 3
Net cash flow	-1,997	563	-454.71	Note 4

Notes:

Note 1. Marketing expenses in the year increased by RMB384 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in sales and (ii) the increase in transportation expenses following the increase in the volume of sales settlement of steel by CIF prices as part of the Company's efforts in optimizing its logistics management.

Note 2. Financial expenses in the year decreased by RMB628 million as compared with the corresponding period of the previous year, mainly attributable to the fact that the Company expanded its financing channels and allocated the funds as alternatives to financing through issuance of notes, discounted bills, endorsement, interest payments payable by buyers, financing for bills purchased of import and export, renewal of concessional loans, replacement of loans with medium term notes, issuance of short-term financing bills, issuance of letter of credit, and restructuring of borrowing structure, which decreased the impact of financing costs.

Management Discussion and Analysis *(continued)*

I. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

1. Overview *(Continued)*

Notes: *(Continued)*

Note 3. Total profit for the year increased by RMB6,048 million over the corresponding period last year, net profit attributable to shareholders of the company increased by RMB4,795 million, mainly due to (i) the decline of prices of raw materials and fuel, decrease in depreciation, increase in production volume, reduction in energy consumption, improvement of blending of ores, improvement of the techno-economical standards, thereby reducing the costs of production; (ii) the decrease in financing cost; and (iii) the increase in investment return and profit of other businesses.

Note 4. Net cash flow for the year has decreased by RMB2,560 million as compared with the previous year, which was mainly attributable to (i) an increase of RMB7,995 million in net cash inflow from operating activities as compared with the previous year arising from the decrease in cash paid for goods and services for the year; (ii) a decrease of RMB232 million in net cash outflow from investing activities as compared with the previous year due to the increase in cash inflow following the increase in cash received from investment income and the increase in income from projects trials; and (iii) an increase of RMB10,787 million in net cash outflow from financing activities as compared with the previous year as cash repaid for loans exceeded cash received from borrowings during the year.

2. Income

Is the Company's income from sales of goods greater than its income from provision of services?

Yes No

Industry Classification	Item	2013	2012	Year-on-year increase/decrease (%)
Steel rolling	Sales volume <i>(0'000 tons)</i>	1,901.83	1,887.60	0.75
process industry	Production volume <i>(0'000 tons)</i>	1,936.95	1,909.11	1.46
	Stock volume <i>(0'000 tons)</i>	105.06	79.64	31.92

Management Discussion and Analysis *(continued)*

I. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

2. Income *(Continued)*

Explanation should be given on year-on-year changes of more than 30% in relevant figures

Applicable Not applicable

The stock volume of the finished products of the Company increased as compared with the end of the previous year, mainly attributable to the fact that the Company developed the sales of spot goods in response to the trend in the steel market which led to an increase in the stock volume of finished goods at the end of the year.

Material changes or adjustment in products or services during the Reporting Period

Applicable Not applicable

3. Cost

Industry Classification:

Unit: RMB' million

Industry Classification	Item	2013		2012		
		Amount	As a percentage of operating costs (%)	Amounts	As a percentage of operating costs (%)	Year-on-year increase/decrease (%)
Steel rolling process industry	Raw materials	30,505	45.69	33,893	44.81	-10.00
	Ancillary materials	3,799	5.69	3,963	5.24	-4.14
	Spare parts and tools	995	1.49	1,089	1.44	-8.63
	Fuel	16,645	24.93	20,573	27.20	-19.09
	Power supplies	5,869	8.79	6,308	8.34	-6.96
	Employee remuneration	2,804	4.20	2,269	3.00	23.58
	Depreciation	3,806	5.70	5,453	7.21	-30.20
	Others	2,342	3.51	2,089	2.76	12.11
	Total	66,766	100.00	75,637	100.00	-11.73

Management Discussion and Analysis *(continued)*

I. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

4. Expenses

Unit: RMB' million

Financial indicators	Reporting Period	Corresponding period of the previous year	Increase/decrease of the Reporting Period as compared with the corresponding period of the previous year (%)
Marketing expenses	1,743	1,359	28.26
Administrative expenses	3,270	3,041	7.53
Financial expenses	1,218	1,846	-34.02
Income tax expenses	-27	-1,068	97.47

Note 1: Financial expenses in the year decreased as compared with the corresponding period of the previous year, mainly attributable to the fact that the Company expanded its financial channels and allocated the funds as alternatives to financing through issuance of notes, discounted bills, endorsement, interest payments payable by buyers, financing for bills purchased of import and export, renewal of concessional loans, replacement of loans with medium term notes, issuance of short-term financing bills, issuance of letter of credit, and restructuring of borrowing structure, which decreased the impact of financing costs.

Note 2: Income tax expenses in the year increased as compared with the last year, mainly attributable to the fact that the Company recorded operating loss in the previous year and recognised deferred income tax.

5. R&D expenditure

Unit: RMB' million

Item	2013	2012	Year-on-year increase/decrease (%)
R&D expenditure for the current period included in profit or loss for the period	2,108	2,157	-2.27
R&D expenditure for the current period recognised as intangible assets	—	—	—
Total R&D expenditure	2,108	2,157	-2.27
Proportion of total R&D expenditure over net assets attributable to the parent company (%)	4.48	4.55	-0.07
Proportion of total R&D expenditure over operating income (%)	2.80	2.76	0.04

Management Discussion and Analysis *(continued)*

I. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

6. Cash flow

Unit: RMB' million

Item	2013	2012	Year-on-year increase/ decrease (%)
Sub-total of cash inflow from operating activities	67,154	76,549	-12.27
Sub-total of cash outflow from operating activities	56,591	73,981	-23.51
Net cash flow from operating activities	10,563	2,568	311.33
Sub-total of cash inflow from investing activities	707	278	154.32
Sub-total of cash outflow from investing activities	3,297	3,100	6.35
Net cash flow from investing activities	-2,590	-2,822	8.22
Sub-total of cash inflow from financing activities	27,924	53,639	-47.94
Sub-total of cash outflow from financing activities	37,894	52,822	-28.26
Net cash flows from financing activities	-9,970	817	-1,320.32
Net increase of cash and cash equivalents	-1,997	563	-454.71

Reasons for a year-on-year change of more than 30% for the relevant amounts:

Applicable Not applicable

- An increase of RMB7,995 million in net cash inflow from operating activities for the year as compared with the previous year was mainly attributable to the decrease in cash paid for goods and services for the year as a result of the Company making procurement at appropriate time and the decrease in the market prices.
- An increase of RMB429 million in cash inflow from investing activities for the year as compared with the previous year was mainly attributable to the increase in cash received from investment income and the increase in income from project trials.
- A decrease of RMB25,715 million in cash inflow from financing activities for the year as compared with the previous year was mainly attributable to the decrease in bank borrowings caused by the Company expanding the financing channels through measures such as trade financing for import and export.

Management Discussion and Analysis *(continued)*

I. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

6. Cash flow *(Continued)*

4. A decrease of RMB10,787 million in net cash flows from financing activities for the year as compared with the previous year was mainly attributable to the fact that the cash repaid for loans exceeded cash received from borrowings during the year.
5. A decrease of RMB2,560 million in net increase of cash and cash equivalents for the year as compared with the previous year was mainly attributable to (i) an increase of RMB7,995 million in net cash inflow from operating activities as compared with the previous year arising from the decrease in cash paid for goods and services for the year; (ii) a decrease of RMB232 million in net cash outflow from investing activities as compared with the previous year due to the increase in cash inflow following the increase in cash received from investment income and the increase in income from projects trials; and (iii) an increase of RMB10,787 million in net cash outflow from financing activities as compared with the previous year as cash repaid for loans exceeded cash received from borrowings during the year.

Explanations on Reasons for Significant Differences in Cash Flow from Operating Activities and Net Profit of the Company during the Reporting Period

Applicable Not applicable

7. Liquidity and financial resources

As at 31 December 2013, the Group had long-term loans (exclusive of loans due within one year) of RMB3,044 million with interest rates ranging from 5.535% to 5.895% per annum. Under the terms of three to twenty-five years, the loans will fall due during the period from 2015 to 2018. 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 credit rating of "AAA". In 2013, ten financial institutes which had strategic cooperation with the Company had given credits to the Company. Therefore, the Group is capable of repaying its debts when they become due.

As at 31 December 2013, the Group had a total capital commitment of RMB4,424 million, which was primarily attributable to the construction and renovation contracts entered into but not yet performed or partially performed, and the external investment contracts entered into but not yet performed or partially performed.

Management Discussion and Analysis *(continued)*

I. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

8. 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 other equipment for projects, therefore the Group is not subject to any significant foreign currency risk arising from foreign currency transactions.

II. ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in assets

Unit: RMB' million

	End of 2013		End of 2012		Increase/ decrease (%)	Explanation for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary assets	1,126	1.21	3,123	3.02	-1.81	—
Account receivables	2,134	2.30	1,895	1.83	0.47	—
Inventories	12,356	13.31	11,498	11.13	2.18	—
Long-term equity investments	3,128	3.37	2,711	2.62	0.75	—
Fixed Assets	45,452	48.94	51,308	49.65	-0.71	—
Construction in progress	5,756	6.20	9,751	9.44	-3.24	—

2. Significant change in liabilities

Unit: RMB' million

	2013		2012		Increase/ decrease (%)	Explanation for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Short-term loans	9,241	9.95	15,130	14.64	-4.69	—
Long-term loans	3,044	3.28	8,364	8.09	-4.81	—

Management Discussion and Analysis *(continued)*

II. ANALYSIS OF ASSETS AND LIABILITY *(CONTINUED)*

3. Assets and liabilities measured at fair value

Unit: RMB' million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Gains or losses arising from changes in fair value reported in equity	Impairment made for the period	Purchase in the current period	Disposal in the current period	Closing balance
Financial assets							
Of which:							
1. Financial assets measured at fair value through profit and loss (excluding derivative financial assets)	—	—	—	—	—	—	—
2. Derivative financial assets	—	—	—	—	—	—	—
3. Available-for-sale financial assets	101	—	-34	—	—	—	56
Sub-total of financial assets	101	—	-34	—	—	—	56
Investment properties	—	—	—	—	—	—	—
Productive biological assets	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
Total	101	—	-34	—	—	—	56
Financial liabilities	—	—	—	—	—	—	—

Material changes in assets during the Reporting Period

Yes No

4. Gearing ratio

As at 31 December 2013 and as at 31 December 2012, the Group's ratio of equity to liability was 1.03 times and 0.90 time respectively.

5. Pledge of assets

As of 31 December 2013, the Group had no pledge of assets.

6. Contingent liabilities

As of 31 December 2013, the Group had no contingent liabilities.

III. ANALYSIS ON THE CORE COMPETITIVENESS

In 2013, the Company accelerated its research and development with a view to improving the efficiency in product development. It enhanced the overall quality management and implemented the strategies concerning intellectual property and technical standards. Leveraging its advantages in independent innovation, the Company brought about more new products, exclusive products with leading technology and strategic products. All these efforts significantly improved the Company's capacity of independent innovation and mastery of core technology.

1. Core technologies of the products

In 2013, the Company applied for patents for its iron and steel products, mainly including steel plates for automobiles and appliances, steels for military industry, steel for pipelines, electrical steel, plates for engineering machines, steel plates for hull and marine engineering purposes, steel for oil well pipes and steels for buildings and bridges.

(1) Steel plates for automobiles and appliances

The development of steel plates for automobiles focused on the advanced high-strength steel products, including duplex stainless steel, high manganese transformation induced plasticity (TRIP) steel and twinning induced plasticity (TWIP) steel. In particular, the strength grades of duplex stainless steel were DP780, DP800, DP980 and DP1000, high manganese TRIP steel were TRIP600 and TRIP980 while TWIP steel were TWIP980 and TWIP1180. Among such newly developed products, some were able to be supplied, and some were on trial for user comments, while some were still undergoing industrial test or industrial trial manufacturing. As for the steel plates for appliances, the product of AC450Q was developed and after the performance tests including hot rolling, cold rolling and acid pickling, the steel met the standards in the index of strength of extension, extensibility and other aspects.

(2) Steel for pipelines

The Company made impressive achievements in both the rolled and plate steel technology. It developed X80M steel for pipelines for low temperature services with the features of non-molybdenum, good fracture toughness, wide and thick type and low costs, and the X70M plate steel for pipelines to be used in deep sea. The high-grade X90 and X100 began to be tested and analyzed and were put into industrial trial production. The Company optimized X42 and X52, the fine seamless steel with the feature of HIC resistance and the special steel for pipelines, the strength of which is lower than 300 MPa.

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

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

(3) Electrical steel

As for the grain-oriented electrical steel, the Company put more efforts in the R&D of the production technology. It developed a number of technologies applied in the fields of efficient production of high magnetic induction grain-oriented electrical steel, increasing the yields of ordinary grain-oriented electrical steel through tempering, low-cost production of grain-oriented electrical steel and production of grain-oriented silicon steel using thin and medium slab in short process. As for the high magnetic variety, Hi-B120, Hi-B110 and Hi-B105 can be supplied to clients in bulk while Hi-B100 was undergoing R&D and trial manufacturing. In addition, the Company made breakthrough in the ultra-thin strip of grain-oriented electrical steel used for medium frequency with low iron loss and the thickness of <0.10mm. The product has started industrial trial-production. As for the non-oriented electrical steel, the Company had conducted research in the re-crystallization of hot-rolled plate and improvement of hot rolling structure. The Company also made breakthroughs in the research of conversion technologies between the grain-oriented and non-oriented electrical steels. For the first time, the Company has mastered the patent technology of cross production between the grain-oriented and non-oriented electrical steels.

(4) Plates for engineering machines

As for the plates for engineering machines, the Company developed heat and abrasion resistant clad sheet steel, high strength glass-lined steel and high quality bearing steel, including the series of Q460JSC, 600JSC, Q550, Q690 and Q1200 and the series of NM360, NM400, NM450 and NM500. In particular, NM500 has met the standards in terms of hardness of surface and 40mm section and mechanical property test with the maximum strength of extension reaching 1800 MPa.

(5) Steel plates for hull and marine engineering purposes

As a response to the massive demand for the steel plates for hull and marine engineering purposes, the Company developed the 690-grade ultra-high-strength steel plates for hull and marine engineering purposes. The product has the features of high strength, highly difficult in manufacturing and high value-adding. Its yield strength is 695~760 MPa, strength of extension is 780~920 MPa, and elongation is 15.8%~20.4%, the average reduction of area (Z) is $\geq 35\%$.

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

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

(6) Steel for oil well pipes

In the field of steel for oil well pipes, the Company developed two new products of N80Q-grade ERW oil casing pipe and P110 external-upset tubing. Both the products have completed formulating the quality plan for industrial trial manufacturing and product supply and technology agreements, and can be supplied in bulk.

(7) Steel for buildings and bridges

The Company developed the earthquake resistant steel with the ultra-low yield point (yield strength between 80~100 MPa), namely the 40~60mm thick tubular pipe steel. The new product ended the situation of mainly depending on imports for such earthquake resistant steel in China. The steel has sound performance in low-cycle fatigue, and can be used in the high-rise buildings for earthquake-resistant purposes. As for the steel for bridges, the Company developed the new G50 steel. The product has been used in the construction of Verrazano-Narrows Bridge in New York, the largest suspension bridge in America.

2. Core technologies

(1) Patent technology of steelmaking

In the field of steelmaking, pre-treatment of molten iron, various refining processes and converter steelmaking processes were principally optimised. The pre-treatment of molten iron for desilication and dephosphorization with CAS-OB and ANS-OB refining furnace can solve the problems of peroxidation of molten steel caused by traditional argon stirring and slag entrapping with unique advantages in heating molten steel, alloying and removing inclusions.

(2) Patent technology of continuous-cast

In the field of continuous-cast, the patent technologies of continuous-cast slab quality improvement and continuous-cast operation enhancement were developed principally. The treatment of liquid steel purification with external electric field and adoption of quality rating system for casting machine slab can achieve the optimisation of quality of casting blank, prevention of cold-bending and crack of slab, reduction of segregation degree of C elements on casting blank and improvement of equiaxial crystal ratio of solidification structure of ingots.

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

2. Core technologies *(Continued)*

(3) Patent technology of steel rolling process

In the field of steel rolling process, technologies of cold rolling and annealing, optimisation of rolling for improvement of rolled product quality and performance, rolled billet heating as well as control of slab and plate cut was developed with emphasis. The solution to prevent defects of surface scratching caused by hot rolled strip passing through finishing mill in empty was to directly winder non-oriented electrical steel strip and improve coiling temperature in order to achieve the recrystallization of hot-rolled sheet.

(4) Technology of tiny out-phase molten steel purification generated in situ in metallurgical melt

The Company developed the AS-CT tiny out-phase molten steel purification technology with the independent intellectual property rights, which can control the level of full oxygen below 10 ppm, content of phosphorus in low-carbon steel stabilised at 40 ppm and minimum content of phosphorus stabilised below 20 ppm. The technology of RH enhancing jetting of carbonate powder from gas pipeline for the purpose of rapid decarbonization RH-AS was developed for the first time. The establishment of smelting model of high carbon and low oxygen with ultra low carbon steel enriched the functions of RH to maintain the content of carbon in IF steel below 10 ppm, so as to build a low-carbon and economical clean steel production platform with Angang features.

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

(1) 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 and 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.

Management Discussion and Analysis *(continued)*

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

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

(2) New technology of reducible dustwallow containing iron treatment

The new technology of dustwallow containing iron treatment was independently developed by the Company to solve the technological difficulties of low-cost treatment and recycle of dustwallow containing zinc in the iron and steel industry. With metallurgical dustwallow such as iron, carbon and zinc as raw material, the technology is worked out as precasting block mass containing iron and zinc through the processes of burdening, mixing and pressing into balls, utilising existing equipment and waste heat resources of iron and steel enterprises, and placing them into high-temperature molten iron tank or converter to achieve a rapid reduction and separation of dustwallow containing iron for the purpose of recycling iron and zinc.

IV. ANALYSIS OF INVESTMENTS

1. External equity investment

(1) External Investments

External Investments

Investments in 2013 <i>(RMB' million)</i>	Investments in 2012 <i>(RMB' million)</i>	Change <i>(%)</i>
280	112	150

Management Discussion and Analysis *(continued)*

IV. ANALYSIS OF INVESTMENTS *(CONTINUED)*

1. External equity investment *(Continued)*

(1) External Investments *(Continued)*

Targets of investments

Names of Companies	Principal Activities	The Company's interest in investees (%)
Angang Dalian	Steel processing and distribution	100
Ningbo Trade	Steel trading, etc.	100
Yantai Trade	Steel trading, etc.	100
Guangzhou Nansha Iron & Steel Logistics Co., Ltd. (廣州南沙鋼鐵物流有限公司)	Freight forwarding, packaging, trading and storage services of steel	45
Dalian Shipbuilding Industry Group Steel Co., Ltd. (大連船舶重工集團鋼業有限公司)	Large vessels disassembling and waste and scrap materials processing	15
Guangzhou Angang Steel Processing Co., Ltd. (廣州鞍鋼鋼材加工有限公司)	Steel processing and distribution	75

(2) Equity in Financial Enterprises held by the Company

Company name	Company type	Initial investment cost	Number of shares held at the beginning of the Reporting Period	Share-holding ratio at the beginning of the Reporting Period	Number of shares held at the end of the Reporting Period	Share-holding ratio at the end of the Reporting Period	Book Value at the end of the Reporting Period	Loss or gain during the Reporting Period	Accounting item	Source of shares
		(RMB million)	(shares)	(%)	(RMB' million)	(%)	(RMB' million)	(RMB' million)		
Angang Financial Company	Other	315	—	20	—	20	642	79	Long-term equity investments	

Management Discussion and Analysis *(continued)*

IV. ANALYSIS OF INVESTMENTS *(CONTINUED)*

1. External equity investment *(Continued)*

(3) Securities Investment

Stock type	Stock code	Abbreviation	Initial investment cost	Number of shares held at the beginning of the Reporting Period		Number of shares held at the end of the Reporting Period		Book value at the end of the Reporting Period	Loss or gain during the Reporting Period	Accounting item	Source of shares
				(RMB' million)	(RMB' million shares)	(%)	(RMB' million shares)				
Shares	600961	Zhuzhou Group (株冶集團)	81	10	1.9	10	1.9	56	0	Available for sale financial assets	Non-public offering

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

3. During the Reporting Period, the Group had no major projects not funded by proceeds.

VII. POSSIBLE RISKS WHICH THE COMPANY MAY ENCOUNTER

In 2014, the possible risks the Company may encounter are mainly industry risks and environmental protection risk.

(1) Industry risks

It's estimated that the output of crude steel in 2014 will reach approximately 800 million tonnes, representing an increase of about 3.8%. According to the report published by MIIT, in 2014, the investments in infrastructure and real estate in Chinese mainland may decline while the steel demands from the downstream industries such as automobiles and vessels will not see a significant increase. It's expected that the change of domestic demand in the iron and steel industry is too limited to turn around the oversupply in the iron and steel industry.

Solutions: The Company will continue to improve the proportion of strategic products, leading exclusive products and new products, leading exclusive products. It will strengthen the technical innovation of new techniques, new technology and new products with a focus on improving the products' quality, capacity to create efficiency and differentiation. The Company will enhance the marketing, especially the market development of new products with high added value and other products with profits, as well as the market exploration of key projects. Through promoting the key products and improving the co-movement of sales system and purchase system, the Company will endeavor to improve the products' competitiveness.

(2) Environmental protection risk

The nation's requirement of environmental protection imposed greater pressure on the energy saving and emission reduction of enterprises. According to the Action Plan for the Prevention and Control of Atmospheric Pollution (大氣污染防治行動計劃) promulgated by the State Council, the pollution release in 2017 shall be 30% less than that in 2012. In the future, more stringent environmental protection policies will be issued targeting the adjustments in the energy-intensive industries with excess capacities such as the iron and steel, aluminium and cement. Therefore, the iron and steel industry is facing greater pressure of environmental protection.

Solutions: The Company will promote the reduction and recycling of energy through energy supervision. It will facilitate the energy management to achieve more sales and greater benefits. The Company will strictly control the operation of energy economy. Through scientific prediction, reasonable arrangement and effective control, the Company endeavors to reach the goal of "more electricity generated with less water consumption and zero diffusion". It will promote the technology of energy saving and contractual energy management projects, so as to balance the systems, improve the functions, save the energy and create efficiencies.

Significant Events

I. MATERIAL LITIGATION AND ARBITRATION

The Company had no material litigation and arbitration during the Reporting Period.

II. MATTERS QUESTIONED BY MEDIA

During the Reporting Period, the Company was not involved in matters generally questioned by the media.

III. MISAPPROPRIATION OF FUNDS BY CONTROLLING SHAREHOLDER AND CONNECTED PERSON

None of the controlling shareholder of the Company or its connected person has misappropriated the Company's funds during the Reporting Period.

IV. MATTERS RELATING TO INSOLVENCY AND RESTRUCTURING

Not applicable.

V. TRANSACTION IN ASSETS

1. Acquisition of assets

Counterparty or the ultimate controlling party	The acquired or merged assets	Transaction price (RMB0'000)	Progress	Impact on the operation of the Company	Impact on the profit or loss of the Company (RMB0'000)	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 common control

Significant Events *(continued)*

V. TRANSACTION IN ASSETS *(CONTINUED)*

2. Disposal of assets

Counterparty	Disposed assets	Date of disposal	Transaction price (RM'000'000)	Net profit of the assets contributed to the Company from the beginning of the period to the date of disposal (RM'000'000)	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	-0.63	Based on the appraisal results issued by the valuer qualified in engaging in securities business	Yes	Under the common 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	-3.81	Based on the appraisal results issued by the valuer qualified in engaging in securities business	Yes	Controlling shareholder	Yes	Yes

3. Business Combinations

None.

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

Not applicable.

VII. MAJOR CONNECTED TRANSACTIONS

1. Connected transactions related to daily operations

A.	Related party:	Angang Holding Group
	Connected relationship:	Controlling shareholder of the Company
	Disclosure date:	17 April 2012 and 30 August 2013
	Settlement method of connected transaction:	money payment

Significant Events *(continued)*

VII. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Connected transactions related to daily operations *(continued)*

A. Related party: Angang Holding Group *(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 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).	RMB795/tonne	6,019	31.30	
	Pellet	Market price	RMB933/tonne	5,242	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.	RMB860/tonne	2,655	100.00	
	Scrap steel	Market price	—	228	61.17	
	Billets		—	224	97.12	
	Alloy and non-ferrous metal		—	90	2.79	
	Sub-total		—	—	14,458	46.70
	Procurement of energy and power from the related party	Electricity	State price	RMB0.45/Kwh	1,516	28.38
Water		State price	RMB2.38/tonne	53	26.99	
Stream		Cost of production plus gross profit margin of 5%	RMB33.52/GJ	22	100.00	
Sub-total		—	—	1,591	28.62	
Purchase of ancillary products from the related party	Lime stone	Not higher than the selling prices offered by relevant members of Angang Holding to independent third parties.	RMB56.73/tonne	170	85.80	
	Lime powder		RMB401.45/tonne	778	89.50	
	Refractory materials		—	462	34.04	
	Other ancillary materials		—	228	11.51	
	Spare parts		—	328	13.24	
	Sub-total		—	—	1,966	28.56

Significant Events *(continued)*

VII. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Connected transactions related to daily operations *(continued)*

A. Related party: Angang Holding Group *(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	—	673	59.65
	Road transportation	Market price	—	444	85.78
	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)	—	110	100.00
	Repair and maintenance of equipment	Market price	—	1,134	39.03
	Design and engineering services		—	741	39.44
	Education facilities, vocational education, on-the-job training, translation work		—	3	33.57
	Newspaper and other publications	State price	—	2	24.92
	Telecommunication business and services, information system	State price or depreciation plus maintenance costs	—	27	62.93
	Production assistance and maintenance	Expenses of labour, materials and management as paid based on market prices	—	850	65.81
	Welfare assistance and maintenance		—	228	82.19
	Company vehicle services	Market price	—	1	41.13
	Environmental protection and security inspection services	State price	—	7	89.81
	Business reception and meeting	Market price	—	3	29.37
	Supply of heating	State price	—	3	2.29
	Greening services	Expenses of labour, materials and management as paid based on market prices	—	34	100.00
	Security services		—	—	—
	Sub-total	—	—	—	4,260
Buyout of steel products from the related party for resale	Steel products	Market price	3,507/tonne	79	100

Significant Events *(continued)*

VII. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Connected transactions related to daily operations *(continued)*

A. Related party: Angang Holding Group *(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.	4,015/tonne	152	0.67
	Heavy plates		3,293/tonne	248	3.41
	Wire rods		3,226/tonne	52	1.21
	Heavy section		4,804/tonne	10	0.32
	Hot-rolled sheets		3,176/tonne	1,937	7.37
	Medium plates		3,284/tonne	44	2.43
	Galvanized steel sheets		3,922/tonne	15	0.33
	Colour coated sheets		6,690/tonne	1	0.06
	Light section		2,648/tonne	1	100.00
	Seamless steel pipes		3,652/tonne	11	0.93
	Molten iron		2,192/tonne	33	100.00
	Billets		2,729/tonne	500	85.44
	Coke		—	68	100.00
	Chemical by-products		—	164	8.83
	Sub-total		—	—	3,236
Sale of scrap steel and abandoned material to the related party	Scrap steel	Market price	—	113	99.08
	Abandoned material		—	27	70.46
	Obsolete assets or idle assets	Market price or appraised price	—	2	92.41
	Sub-total	—	—	142	91.93

Significant Events *(continued)*

VII. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Connected transactions related to daily operations *(continued)*

A. Related party: Angang Holding Group *(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	3.08/tonne	47	97.93	
	Clean recycled water	Market price or production cost plus a gross profit margin of 5%	0.74/tonne	18	99.98	
	Soft water		4.90/tonne	1	100.00	
	Gas		54.73/GJ	525	85.61	
	Blast furnace gas		4.00/GJ	44	100.00	
	Steam		47.51/GJ	24	97.30	
	Nitrogen		261.74/Km ³	4	31.55	
	Oxygen		416.82/Km ³	5	20.39	
	Argon		491.90/Km ³	1	16.95	
	Compressed air		106.04/Km ³	1	99.09	
	Used hot water		20.39/GJ	47	91.56	
	Product testing service		Market price	—	4	83.39
	Transportation service			—	1	100.00
	Sub-total		—	—	722	40.53
	Total				—	26,454
Reasons for the 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)*

VII. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Connected transactions related to daily operations *(continued)*

- B. Related party: Angang Financial Company
- Connected relationship: controlled indirectly by the common controlling shareholder of the Company
- Settlement method of connected transaction: money payment

Type	Details	Pricing principle	Price	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Financial services provided by the related party	Interest on deposits	State price	—	7	30.97
	Maximum daily balance of deposit (including accrued interests)	—	—	5,795	—
	Loan balances	—	—	1,711	—
	Interest payable on loans and discounted bills	State price	—	171	11.97
	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

Significant Events *(continued)*

VII. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Connected transactions related to daily operations *(continued)*

- C. Related party: Pangang Vanadium & Titanium Group
- Connected relationship: controlled indirectly by the common controlling shareholder of the Company
- 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)	792/tonne	1,291	6.71
	Alloy	Market price	—	72	2.24
	Total		—	1,363	6.07
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.				

VII. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

1. Connected transactions related to daily operations *(continued)*

C. Related party: Pangang Vanadium & Titanium Group *(continued)*

For the above continuing connected transactions, the independent directors expressed their opinions as follows:

(1) the continuing connected transactions of the Company in 2013 were carried out in the ordinary and usual course of business of the Company; (2) the continuing connected transactions of the Company in 2013 were conducted (a) in accordance with the normal commercial terms (with reference to transactions of a similar nature made by similar entities in the PRC); (b) on terms no less favourable than the terms available to or offered by the third parties (if no comparable case is available); and (c) on terms which are fair and reasonable to shareholders of the Company (if no reference is available); (3) the continuing connected transactions of the Company in 2013 were conducted in accordance with the terms set out in the Supply of Materials and Services Agreement (2012-2013) and the Supply of Materials Agreement (2012-2013) approved at the first extraordinary general meeting of the Company in 2012, and the Buyout of Steel Products for Resale Agreement (《買斷銷售鋼材產品協議》) approved at the third meeting of the Sixth Session of the Board (the "Continuing Connected Transaction Agreements"), which are fair and reasonable and in the interest of the Company and shareholders as a whole; and (4) the total amount of continuing connected transactions of the Company in 2013 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements.

The auditors of the Company have reviewed the above continuing connected transactions and issued a letter to the Board confirming that: (1) the above transactions have received the approval of the Board; (2) the above transactions were carried out pursuant to the pricing policies of the Company; (3) so far as they are aware, there is no instance of non-compliance with provisions of the Continuing Connected Transaction Agreements; and (4) the actual amounts of such connected transactions did not exceed the relevant caps contemplated under the Continuing Connected Transaction Agreements.

Significant Events *(continued)*

VII. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

2. Connected transactions of assets acquisition and disposal

Party	Relationship	Type	Content	Pricing Principle	Book value of transferred assets (RMB0'000)	Appraised value of transferred assets (RMB0'000)	Fair market value (RMB0'000)	Transfer price (RMB0'000)	Settlement	Loss or profit (RMB0'000)
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	Supplemented by cash	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

Reason for the substantial difference between the transfer price and the book value or appraisal value (if any)

—

Impact on the operating results and financial status of the Company

The connected transactions refined the sales system of the Company and improved its profitability.

3. Connected transactions of joint external investment

Not applicable.

4. Claims or obligations

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

As at 31 December 2013, the bank borrowings of RMB21 million of the Group was guaranteed by Angang Holding.

VII. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

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.

On 28 June 2013, the Resolution in relation to the Additional Capital Injection by the Company based on the Current Shareholding Percentage into Angang Group Financial Company Limited* (《關於公司按現有持股比例向鞍鋼集團財務有限責任公司增資的議案》) was considered and approved at the 48th meeting of the fifth session of the Board.

On 29 August 2013, The Resolution in relation to the Buyout of Steel Products of Anshan Iron & Steel Group Complex* for Resale (《關於買斷銷售鞍山鋼鐵集團公司鋼材產品的議案》) was considered and approved at the third meeting of the sixth session of the Board.

VIII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Trust, contractual or lease arrangement

On 20 November 2012, the Company entered into the Assets Exchange Agreement, Share Transfer Agreement and the Entrustment Agreement with Angang Trade and Angang Holding respectively. According to relevant agreements, upon the assets exchange and share transfer, the 80% equity interests in Angang Putian held by Angang Trade and the 45% equity interest in Angang Tiantie held by Angang Holding will be entrusted to the Company. On 30 January 2013, the Company convened its first extraordinary general meeting in 2013 for consideration and approval of the following resolutions: Resolution in relation to Assets Exchange between the Company and Angang Group International Trade Corporation* (《關於本公司與鞍鋼集團國際經濟貿易公司進行資產置換的議案》) and Resolution in relation to the Equity Transfer between the Company and Anshan Iron & Steel Group Complex* (《關於本公司與鞍山鋼鐵集團公司進行股權轉讓的議案》) and Resolution in relation to the Entrustment Agreement with Certain Subsidiaries of Anshan Iron & Steel Group Complex* and Angang Group International Trade Corporation* (《關於本公司託管鞍山鋼鐵集團公司、鞍鋼集團國際經濟貿易公司下屬部分公司股權的議案》).

The Company did not enter into any material contractual or lease arrangement during the Reporting Period.

2. Material guarantee

During the Reporting Period, there were no material guarantee provided by the Company and no material guarantee subsisting in this Reporting Period.

IX. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE SHARE HOLDINGS DURING OR SUBSISTED TO THE REPORTING PERIOD.

1. Non-competition commitments of Angang Holding:

On 20 May 2007, based on the industry policies of national iron and steel industry and the development of domestic iron and steel industry, Angang Holding issued the Non-competition Undertaking Letter of Anshan Iron & Steel Group Complex* (《鞍山鋼鐵集團公司避免同業競爭承諾函》) to the Company:

- (1) Angang Holding and its wholly-owned and holding subsidiaries have complied with relevant requirements of the state on the non-competition.
- (2) Angang Holding and its wholly-owned and holding subsidiaries have never engaged in any business which directly or indirectly compete with the iron and steel business, the principle business of the Company.

IX. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE SHARE HOLDINGS DURING OR SUBSISTED TO THE REPORTING PERIOD. *(CONTINUED)*

1. **Non-competition commitments of Angang Holding:** *(continued)*

- (3) Angang Holding undertakes that the Company is entitled to the preemption rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlling subsidiaries of Angang Holding, which are related to the iron and steel business of the Company.
- (4) If the enterprises in which Angang Holding holds equity interests produce products or engage in business which compete or may compete with the Company, Angang Holding undertakes that it will transfer all the capital contribution, shares or equity interests and grant the Company preemptive rights for such capital contribution, shares or equity interests.
- (5) If Angang Holding and its wholly-owned and holding subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes the purchase requirement, Angang Holding and its wholly-owned and holding subsidiaries will transfer relevant assets and business to the Company with priority based on reasonable prices and conditions according to the processes required by laws.
- (6) During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first for the opportunity of new business.

If the Company accepts such opportunity of new business, Angang Holding shall transfer such new business to the Company for free. Angang Holding and its wholly-owned and holding subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.

If the Company proposes the purchase requirement in the future, Angang Holding and its wholly-owned and holding subsidiaries still need to transfer the assets and business formed by such opportunities to the Company with priority based on reasonable prices and conditions.

Significant Events *(continued)*

IX. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE SHARE HOLDINGS DURING OR SUBSISTED TO THE REPORTING PERIOD. *(CONTINUED)*

1. Non-competition commitments of Angang Holding: *(continued)*

- (7) Other effective measures to avoid and eliminate the horizontal competition.

The above undertakings do not limit the business of Angang Holding and its wholly-owned and holding subsidiaries which do not compete with the Company, especially the business of provision of required materials or services to the operation of the Company.

All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible for engaging in the business not prohibited by the state.

Such undertakings became effective from the date of issuance, and shall be terminated once one of following conditions occurs:

- (1) Angang Holding ceases to be the controlling shareholder of the Company.
- (2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of the shares of the Company due to any reason).
- (3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.

Considering that the Angang Holding does not have any iron and steel production projects put into production which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitions with the Company before the date of the issuance of the undertaking letter.

Period of undertakings: Long-term effectiveness.

Performance of undertakings: During the Reporting Period, there was no breach of such undertakings by the undertaker.

Significant Events *(continued)*

IX. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE SHARE HOLDINGS DURING OR SUBSISTED TO THE REPORTING PERIOD. *(CONTINUED)*

2. The proposal or the implementation of a share purchase plan by the substantial shareholder and its parties acting in concert during this Reporting Period.

On 6 August 2013, the Company published the announcement in relation to the increase of holdings of A shares of the Company by the substantial shareholder. According to the disclosure, Angang Holding, the controlling shareholder of the Company, increased its holdings of the Company's A shares via the trading system of Shenzhen Stock Exchange on 2 August 2013. And within six months of the initial purchase of shares, Angang Holding plans to increase its holdings of A shares in aggregate of not more than 2% of the total share capital of the Company including the shares purchased in the initial increase of shareholdings. Angang Holding will acquire a minimum amount of not less than 0.5% of the total share capital where the price of A share is not higher than RMB3 per share ("Shareholding Increase Plan"). Angang Holding also undertook that it would not reduce its shareholding in the Company within the period of shareholding increase and the statutory period.

As at 26 December 2013, Angang Holding has completed the Shareholding Increase Plan via the trading system of Shenzhen Stock Exchange by way of pooled bidding. Before the shareholding increase, Angang Holding held 4,868,547,330 A shares of the Company, representing 67.29% of the total share capital of A shares. After the shareholding increase, Angang Holding held 4,904,908,290 A shares of the Company, representing 67.80% of the total share capital of A shares.

Angang Holding strictly fulfilled its undertakings and did not reduce its shareholding in the Company within the period of shareholding increase and the statutory period.

X. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

1. Accounting firm currently engaged by the Company

Name of the PRC auditor	Ruihua Certified Public Accountants (Special General Partnership)
Remuneration of the PRC auditor <i>(RMB 0'000)</i>	372
Continued term of service of the domestic accounting firm	1year
Name of certified public accountants of the domestic accounting firm	Xu Chaoyu and Li Zhushan

Significant Events *(continued)*

X. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM *(CONTINUED)*

2. Whether to appoint another accounting firm during the period

Yes No

3. Whether to appoint another accounting firm during the audit period

Yes No

4. Whether to fulfill procedures for approval regarding the change of another accounting firm

Yes No

5. Explanation on the appointment and change of another accounting firm:

RSM China CPA (Special General Partnership), the original auditor the Company appointed, had merged with Crowe Horwath CPA (Special General Partnership) and Ruihua Certified Public Accountants (Special General Partnership) was established. The former RSM China CPA (Special General Partnership) ceased to exist and all of its employees and businesses were transferred to Ruihua Certified Public Accountants (Special General Partnership) which provides services for clients under the name of Ruihua Certified Public Accountants (Special General Partnership).

Since the professional staff responsible for the Company's auditing work for the year have been transferred to Ruihua Certified Public Accountants (Special General Partnership), in order to maintain continuity and stability of the Company's external auditing work, the Company reappointed Ruihua Certified Public Accountants (Special General Partnership) as the Company's external auditor for 2013.

On 31 December 2013, at the third extraordinary general meeting of the Company for 2013, the Company considered and approved the Proposal in relation to the Reappointment of Ruihua Certified Public Accountants (Special General Partnership) as the Company's Auditor for 2013 and Authorize the Board to determine its Remuneration (《關於改聘瑞華會計師事務所(特殊普通合伙)為公司2013年度審計師並授權董事會決定其酬金的議案》).

Particulars on recruitment of accounting firms, financial consultants or sponsors for internal control and auditing purposes

Applicable Not applicable

The Company engaged Ruihua Certified Public Accountants (Special General Partnership) as the internal control and auditing firm of the Company for 2013 and the remuneration was RMB0.88 million.

XI. PENALTY AND RECTIFICATIONS

Not applicable.

Movement in Share Capital and Shareholders' Profile

1. MOVEMENT IN SHARE CAPITAL

Unit: Share

	Before the change		Increase/decrease during the period(+/-)					After the change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from accumulated fund	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium	111,555	0.00	—	—	—	-7,655	-7,655	103,900	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 shares	—	—	—	—	—	—	—	—	—
Including: shares held by									
overseas legal persons	—	—	—	—	—	—	—	—	—
shares held by overseas natural persons	—	—	—	—	—	—	—	—	—
5. Senior management shares	111,555	0.00	—	—	—	-7,655	-7,655	103,900	0.00
II. Shares not subject to trading moratorium	7,234,696,292	100.00	—	—	—	+7,655	+7,655	7,234,703,947	100.00
1. Renminbi ordinary shares	6,148,896,292	84.99	—	—	—	+7,655	+7,655	6,148,903,947	84.99
2. Domestically listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign 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

Reasons for movement in shares:

During the Reporting Period, the resignation of certain Directors of the Company led to changes in the shares subject to trading moratorium, senior management shares, shares not subject to trading moratorium, and Renminbi ordinary shares of the Company.

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

2. SHAREHOLDERS AND DE FACTO CONTROLLER

1. Number of shareholders and details of shareholding of the Company

Unit: Share

The total number of shareholders of the Company as at the end of the Reporting Period 167,697, of which 611 were holders of H shares

Details of shareholders with more than 5% of shares

Name of shareholder	Nature of shareholder	Percentage of shareholdings (%)	Number of shares 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	Number of shares pledged frozen	Status of shares	Amount
Angang Holding	State-owned legal person	67.80	4,904,908,290	+36,360,960	—	4,904,908,290	—	—	—
HKSCC (Nominees) Limited	Overseas legal person	14.84	1,073,317,700	+80,474	—	1,073,317,700	—	—	—
Credit Suisse (Hong Kong) Limited	Overseas legal person	0.51	36,602,492	+33,745,470	—	36,602,492	—	—	—
MERRILL LYNCH INTERNATIONAL	Overseas legal person	0.41	29,351,607	+19,439,627	—	29,351,607	—	—	—
UBS AG	Overseas legal person	0.34	24,392,265	+17,343,813	—	24,392,265	—	—	—
DEUTSCHE BANK AKTIENGESELLSCHAFT	Overseas legal person	0.33	23,802,868	+19,408,756	—	23,802,868	—	—	—
Guotai Junan — Zhonghang — Standard Chartered Bank (Hong Kong) Ltd. (國泰君安—中行—渣打銀行(香港)有限公司)	Overseas legal person	0.21	15,054,613	+8,399,776	—	15,054,613	—	—	—
MORGAN STANLEY & CO. INTERNATIONAL PLC	Overseas legal person	0.20	14,673,472	+9,142,416	—	14,673,472	—	—	—
Luo Yun (駱雲)	Domestic natural person	0.17	12,041,783	+12,041,783	—	12,041,783	—	—	—
Li Yulan (李玉蘭)	Domestic natural person	0.16	11,362,800	+7,284,983	—	11,362,800	—	—	—

Explanations on the connected relationship or concerted action among the shareholders mentioned above:

The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party to any concerted action as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

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

2. SHAREHOLDERS AND DE FACTO CONTROLLER *(CONTINUED)*

1. 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 Year	Type of share	
		Type of share	Amount
Angang Holding	4,904,908,290	Renminbi ordinary shares	4,904,908,290
HKSCC (Nominees) Limited	1,073,317,700	Overseas listed foreign shares	1,073,317,700
Credit Suisse (Hong Kong) Limited	36,602,492	Renminbi ordinary shares	36,602,492
MERRILL LYNCH INTERNATIONAL	29,351,607	Renminbi ordinary shares	29,351,607
UBS AG	24,392,265	Renminbi ordinary shares	24,392,265
DEUTSCHE BANK AKTIENGESELLSCHAFT	23,802,868	Renminbi ordinary shares	23,802,868
Guotai Junan — Zhonghang — Standard Chartered Bank (Hong Kong) Ltd. (國泰君安—中行—渣打銀行(香港)有限公司)	15,054,613	Renminbi ordinary shares	15,054,613
MORGAN STANLEY & CO. INTERNATIONAL PLC	14,673,472	Renminbi ordinary shares	14,673,472
Luo Yun (駱雲)	12,041,783	Renminbi ordinary shares	12,041,783
Li Yulan (李玉蘭)	11,362,800	Renminbi ordinary shares	11,362,800

Explanations on the connected relationship or concerted action 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 above-mentioned shareholders of the Company or any party to any concerted action as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

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

2. SHAREHOLDERS AND DE FACTO CONTROLLER *(CONTINUED)*

2. Details of the controlling shareholder of the Company

Controlling Shareholder	Legal representative	Date of incorporation	Organization number	Registered capital	Principal scope of operation
Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司)	Zhang Xiaogang	9 July 1949	24142001-4	RMB10,794 million	Production of steel products, metal products (non-franchise), cast iron tubes, metal structures, metal wire and products, sintering and coking products, cement, power generation, metallurgical machinery equipment and parts, electrical machinery, electricity transmission and supply, and control equipment and meters, mining of iron and manganese ores, refractory earth and stone extraction.

Future Development Strategies To strengthen the production of fine iron and steel, to enlarge advantages in resources, to implement innovative motivation, and to introduce transformation and upgrading.

To strengthen the production of fine iron and steel through scale production, balanced product structure, multi-regional layout and optimized development of logistics in order to enhance the competitiveness of the production and operations of steel and iron. To implement technical innovation, technical reform and innovation of business model, with the core principle of refinement, differentiation and low cost. To reallocate stock loans, effectively utilize new loans, restructure products, improve scale of fine products, implement recycling economy, strengthen energy saving and emission reduction to form high value-added product series with higher competitiveness and strengthen production of fine iron and steel, its major business. To further expand the strategic layout and acquire and merge production capacity (兼併產能).

To enlarge advantages in resources by using the advantages in its iron and steel resources, enhancing the productivity of mines, and improving the consolidated utilization level of resources. It aims to provide high-quality but low cost raw materials to the iron and steel industry, transform from the mode of securing resources to engaging in the operation of resources, and to become an international iron mine enterprise. It also aims to exert a greater control over external resources such as iron mines, coal and lime stone to further establish a low-cost resource guarantee system.

To innovate and motivate by utilizing the advantage of proprietary technological innovation, and strengthening the research and development of the core technology. It aims to be the leader of technology development in the industry through low-carbonization and iconization (標杆化) of core technology and major products. To introduce upgrading of management by accelerating innovation in the system and development of information technology, which will form an innovative system within the Group that covers the information system thoroughly and is deeply embedded in management and control. It aims to turn loss to profit and increase its profits by enhancing service innovation, adopting modern marketing concepts and universal operating modes.

To introduce transformation and upgrading by conducting an accurate judgment of international and domestic market environments, analyzing problems in the systems, mechanisms and management in an in-depth manner, and enhancing the capability in dealing with market changes and development. It will gradually transform from the production sector to the service sector and achieve appropriate development in the non-steel industry by upgrading technology and equipment, adjusting product structure, enhancing product quality and strengthening marketing services.

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

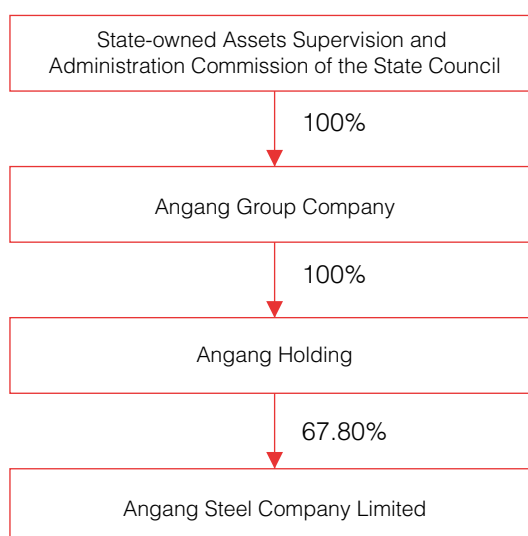
2. SHAREHOLDERS AND DE FACTO CONTROLLER *(CONTINUED)*

2. Details of the controlling shareholder of the Company *(Continued)*

During the Reporting Period, details of direct shareholding of other domestic and overseas listed foreign shares by Angang Holding, the controlling shareholder of the Company, are as follows:

Abbreviation of listed companies	Number of shares held <i>(shares)</i>	Percentage of shareholdings <i>(%)</i>
Agricultural Bank of China	609,229,000	0.19
China Heavy (中國重工)	153,144,330	0.99
Jien Nickel (吉恩鎳業)	21,690,200	2.67
Guang Yu Yuan (廣譽遠)	9,270,141	3.80
Xishan Coal Electricity (西山煤電)	150,000	0.00
Avic Capital (中航投資)	3,453,176	0.23
Pangang Steel & Vanadium (攀鋼鈦鈹)	928,946,141	10.81

3. Details of de facto controller of the Company



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

2. SHAREHOLDERS AND DE FACTO CONTROLLER *(CONTINUED)*

4. Substantial shareholders and other parties' interests and short positions in the shares and underlying shares of the Company

Save as disclosed below, as at 31 December 2013, no parties (other than Directors, Supervisors and senior management of the Company) had any interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 366 of the SFO.

Name of shareholders	Number and category of shareholding	Percentage of total share capital	Percentage of total H Shares in issue	Percentage of total domestic shares in issue	Capacity
Angang Holding	4,904,908,290	67.80%	—	79.76%	Beneficial owner
HKSCC Nominees Limited	1,073,317,700	14.84%	98.85%	—	Nominee

III. DETAILS OF PROPOSED OR IMPLEMENTED INCREASE OF SHAREHOLDINGS BY SHAREHOLDER OF THE COMPANY OR ITS PARTIES IN CONCERT DURING THE REPORTING PERIOD

Shareholder/party in concert	Proposed increase in shareholding	Proposed increase in percentage of shareholding	Actual increase in shareholding	Actual increase in percentage of shareholding	Initial date of disclosure of proposed increase of shareholding	Closing date of disclosure of proposed increase of shareholding
Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司)	—	Not less than 0.5% of the total share capital and not higher than 2% of the total share capital	36,360,960 shares	0.503%	6 August 2013	8 February 2014

Information on Directors, Supervisors, Senior Management and Employees

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

Name	Position	Status of Position	Gender	Age	Date of Commencement of Term	Date of Termination of Term	No. of Shares Held			
							No. of Shares at the Beginning of the Reporting Period	No. of Shares Increased in the Reporting Period	No. of Shares Reduced in the Reporting Period	Shares Held at the End of the Reporting Period
							(shares)	(shares)	(shares)	(shares)
Zhang Xiaogang	Chairman	In office	Male	60	2013.07.08	—	10,000	—	—	10,000
Tang Fuping	Vice Chairman	In office	Male	56	2013.07.08	—	10,000	—	—	10,000
Yang Hua	Vice Chairman	In office	Male	52	2013.07.08	—	10,000	—	—	10,000
Wang Yidong	Director	In office	Male	46	2013.07.08	—	10,200	—	—	10,200
	General Manager	In office			2013.07.08	—				
Ma Lianyong	Director	In office	Male	52	2013.07.08	—	10,000	—	—	10,000
	Secretary to the Board	In office			2013.05.15					
	Chief Accountant	In office			2002.03.25					
Li Shijun	Independent non-executive Director	In office	Male	70	2013.07.08	—	0	—	—	0
Chen Fangzheng	Independent non-executive Director	In office	Male	68	2013.07.08	—	0	—	—	0
Qu Xuanhui	Independent non-executive Director	In office	Male	54	2013.07.08	—	0	—	—	0
Kwong Chi Kit, Victor	Independent non-executive Director	In office	Male	47	2013.07.08	—	0	—	—	0
Xu Zhiwu	Chairman of the Supervisory Committee	In office	Male	53	2013.12.31	—	0	—	—	0
Shan Mingyi	Supervisor	In office	Male	61	2013.07.08	—	15,124	—	—	15,124
Bai Hai	Supervisor	In office	Male	39	2013.07.08	—	0	—	—	0
Zhang Lifan	Deputy General Manager	In office	Female	49	2009.11.05	—	11,000	—	—	11,000
Ren Ziping	Chief Engineer	In office	Male	50	2011.08.12	—	24,000	—	—	24,000
Liu Jun	Deputy General Manager	In office	Female	46	2013.03.27	—	0	—	—	0
Chen Ming	Former Director	Resigned	Male	53	2013.07.08	2013.08.29	10,610	—	—	10,610
	Former General Manager	Resigned			2010.12.30	2013.07.08				
Yu Wanyuan	Former Director	Resigned	Male	53	2009.06.12	2013.07.08	26,317	—	—	26,317
Fu Jihui	Former Director	Resigned	Male	62	2009.06.12	2013.05.15	18,540	—	—	18,540
	Former Secretary to the Board									
Su Wensheng	Former Chairman of the Supervisory Committee	Resigned	Male	58	2012.05.29	2013.12.31	10,000	—	—	10,000
Liu Baoshan	Former Deputy General Manager	Resigned	Male	52	2011.12.20	2013.07.08	15,000	—	—	15,000
Chen Guofeng	Former Deputy General Manager	Resigned	Male	57	2013.03.27	2013.08.29	0	—	—	0
Ma Guoqiang	Former Independent Non-executive Director	Resigned	Male	60	2009.06.12	2013.07.08	0	—	—	0

Notes: All the shares mentioned above are A shares of the Company, of which the shares held by Yu Wanyuan are in the capacity of family interest (held by his spouse); part of the shares held by Chen Ming and Shan Mingyi are in the capacity of 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.

Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company Held by Directors, Supervisors and Senior Management

Save as disclosed above, as at 31 December 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) 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 set out in Appendix 10 of the Hong Kong Listing Rules.

II. EMPLOYMENT INFORMATION

1. Major work experience of the current Directors, Supervisors and senior management members of the Company

Members of the Board of Directors

Executive Directors:

Mr. Zhang Xiaogang, professor-level senior engineer holding a PhD degree in engineering, is the Chairman of the Company and Angang Holding, Chairman as well as General Manager of Angang Group Company. Mr. Zhang has obtained a bachelor's degree from Wuhan University, a master's degree from Northeastern University and a PhD degree from the Central Iron & Steel Research Institute. He has been working for Angang for over 30 years and has held various senior management positions in Angang Group Company, including the Head of the Technology Department and the Deputy Chief Engineer of Angang Holding, the General Manager of ANSI and the Standing Deputy General Manager of Angang Holding. Mr. Zhang is an expert in metallurgical industry with extensive knowledge in the development and innovation of metallurgical technology. He was a member of the expert panel in the "State 863 and 973 Projects", Chairman of World Steel Association (世界鋼鐵協會), Chairman of China Iron and Steel Association, and was awarded the First Prize for Scientific and Technological Progress by the State. He is an alternate member of the Seventeenth Central Committee of the Communist Party of China and a member of the Eighteenth Session of the Central Committee for Discipline Inspection of the Communist Party of China. Mr. Zhang is currently a member of the expert panel of the Standardization Administration of China, the Director of the Steel Rolling Academic Committee, the Chairman of International Organization for Standardization (ISO) and the Director of Low Alloy Steel Academic Committee of The Chinese Society for Metals, etc.

Mr. Tang Fuping, is the Vice Chairman of the Company, the deputy general manager of Angang Group Company* and the general manager of Anshan Iron & Steel Group Complex*, a professor-level senior engineer. Mr. Tang obtained a PhD degree in metallurgy from the University of Science and Technology Beijing. Mr. Tang joined Anshan Iron & Steel Group Complex* in 1982, and had worked as the head of the Third Steelmaking Plant of Angang Holding, General Manager of the Company, general manager of ANSI and deputy general manager of Angang Holding.

Information on Directors, Supervisors, Senior Management and Employees *(continued)*

II. EMPLOYMENT INFORMATION *(CONTINUED)*

1. Major work experience of the current Directors, Supervisors and senior management members of the Company *(Continued)*

Member of the Board of Directors *(Continued)*

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

Mr. Wang Yidong, is the Director, General Manager of the Company and a senior engineer. Mr. Wang has obtained a master degree in industrial engineering from the University of Science and Technology Beijing as well as a PhD degree in machinery design and theory from the Yanshan University. Mr. Wang joined Angang Holding in 1991 and once served as the director of the Cold-Rolling Plant (冷軋廠) of the Company, deputy director of Baiyuquan Steel Branch Company (鮫魚圈鋼鐵分公司) of the Company, Vice Head of Product Manufacturing Department of the Company, head of the Manufacturing Management and Control Centre of branch company, head of the Cold-Rolling Department, director of Baiyuquan Steel Branch Company (鮫魚圈鋼鐵分公司) of the Company and the Deputy general manager of the Company.

Mr. Ma Lianyong, is currently Director, Secretary to the Board and Chief Accountant of the Company. He is a professor-level senior accountant. Mr. Ma received a master degree in engineering, majoring in financial management from Northeastern University and a master degree in engineering, majoring in industrial foreign trade from Beihang University. Mr. Ma joined the Company in 2000, and has served as the Deputy Chief Accountant cum Head of the Accounting Department, Chief Accountant, and Chief Accountant cum Head of the Financial Planning Department of the Company, etc.

II. EMPLOYMENT INFORMATION *(CONTINUED)*

1. Major work experience of the current Directors, Supervisors and senior management members of the Company *(Continued)*

Independent Non-executive Directors:

Mr. Li Shijun is an Independent Non-executive Director of the Company. Mr. Li is a professor-level Senior Engineer. He graduated from Beijing Iron and Steel College with a bachelor's degree. Mr. Li had been, among others, Deputy Director of the Technology Division of Ministry of Metallurgical Industry, Deputy Director of the Planning and Development Division of the State Bureau of Metallurgical Industry, Executive Deputy Secretary General of China Iron and Steel Association, principal analyst of China Iron and Steel Association and Deputy Secretary-General of the Chinese Society for Metals.

Mr. Chen Fangzheng is an Independent Non-executive Director of the Company. He is currently the head of the Department of Finance and dean of the Social Security Institute of the School of Economics and Management of Tongji University, a professor and tutor for doctoral students. Mr. Chen graduated from the Hefei University of Technology with a bachelor degree. Mr. Chen was an associate professor at the Economics Department of Anhui University and a professor at the Finance Department of Southeast University. Mr. Chen currently serves as an independent director of Sinopec Yizheng Chemical Fibre Company Limited (中國石化儀征化纖股份有限公司).

Mr. Qu Xuanhui, is an Independent Non-executive Director of the Company. He is currently a professor, tutor for doctoral candidates and the dean of the School of Materials Science and Engineering in University of Science and Technology Beijing. Mr Qu graduated from Central South University with a doctor degree. Mr. Qu has previously served as the professor and tutor for doctoral candidates in Central South University and the first deputy director of Research Institute of Powder Metallurgy. He conducted and completed more than 40 scientific research projects at the national and provincial (ministerial) level including the National 973 Program and 863 Program, National Natural Science Funds and National Science and Technology Support Program. He was awarded with one National Scientific and Technological Progress Award (Second Class) and 15 provincial and ministerial level Scientific and Technological Progress Awards.

Mr. Kwong Chi Kit, Victor, is an Independent Non-executive Director of the Company. He has over 19 years of experience in the auditing, accounting and financial management in the commerce, manufacturing and public administration areas. Mr. Kwong is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwong has obtained a bachelor's degree in Commerce from Curtin University of Technology in Australia.

II. EMPLOYMENT INFORMATION *(CONTINUED)*

1. Major work experience of the current Directors, Supervisors and senior management members of the Company *(Continued)*

Members of The Supervisory Committee

Mr. Xu Zhiwu, is currently the Chairman of the Supervisory Committee, a director and secretary of committee for discipline inspection of Angang Group Company, the chairman of the supervisory committee of Panggang Group Company Limited (攀鋼集團有限公司) and Angang Group Financial Company Limited (鞍鋼集團財務有限責任公司), as well as a professor of industrial management. Mr. Xu obtained a master's degree of engineering in industrial management from Beijing Institute of Technology. Mr. Xu has held several positions, including vice-dean of the management engineering department of Beijing Institute of Technology, deputy head of human resources department of Beijing Institute of Technology, head of finance department of Beijing Institute of Technology, deputy general accountant of the bureau of finance and accounting cum head of the finance department of China North Industries Corporation (中國兵器工業總公司), secretary of the Party Committee and general manager of North Industries Group Finance Co., Ltd. (北方工業集團財務有限責任公司), secretary of the Party Committee and general manager of China North Industries Corporation Finance Co., Ltd. (中國兵器工業總公司財務有限責任公司), assistant to the general manager of China North Industries Group Corporation (中國兵器工業集團公司) as well as deputy chairman and general manager of North Industries Group Finance Co., Ltd..

Mr. Shan Mingyi, is a Supervisor and a senior politician of the Company. Mr. Shan graduated from the correspondence education of Central Party's School, with a bachelor's degree in economics and management. He joined Angang Holding in 1969, and had been the deputy head, head of the Organization Department, director of Human Resource Department, Deputy Secretary to the Party Committee of Angang Machinery Manufacturing Co., Ltd., Vice Chairman of the Labour Union of Angang Holding, Chairman of the Labour Union of ANSI, the Chairman of the Labour Union of the Company and the vice chairman of the Labour Union of Angang Holding.

II. EMPLOYMENT INFORMATION *(CONTINUED)*

1. Major work experience of the current Directors, Supervisors and senior management members of the Company *(Continued)*

Supervisor from Staff Representatives:

Mr. Bai Hai, Supervisor, is currently the deputy foreman of the Steel Smelting No. 1 Work Area of the Main Steel Making Plant (煉鋼總廠) of the Company and a technician, with a qualification equivalent to a university degree. Mr. Bai graduated from the Angang Technical Complex (鞍鋼技工學校), and joined Angang Holding in 1994. Mr. Bai has been recognised as “Top Model Worker (特等勞動模範) of Anshan City”, “Top Ten Outstanding Youth (十大傑出青年) of Anshan City in 2007”, “Skilled Youth in Enterprise under the Control of the Central Government (中央企業青年崗位能手)” in 2008, “Model Worker of Liaoning Province (遼寧省勞動模範)” and “Model Member of the Communist Party in Liaoning Province (遼寧省優秀共產黨員)” in 2009, and “National Model Worker (全國勞動模範)” in 2010. He was also awarded the May 4th Youth Medal of State-owned Enterprises (中央企業青年五四獎章) in 2011.

Other Senior Management Members

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

Mr. Ren Ziping, is the Chief Engineer of the Company and a professor level senior engineer. Mr. Ren graduated from Northeastern University with a doctoral degree majoring in iron and steel metallurgy. Mr. Ren joined Angang Holding in 1990 and held various positions, including the manager of the Third Steelmaking Plant and manager of the Second Steelmaking Plant of Angang Holding, Executive Deputy Director of the Technology Center of the Company, Director of the Science Development Department of Angang Holding and Director of the Scientific Quality Department of Angang Holding.

Ms. Liu Jun, is a Deputy General Manager of the Company and a senior engineer at professor level. Ms. Liu attained a master degree in industrial engineering from University of Science and Technology Beijing. She joined Angang Holding in 1990. She has been the vice-head of the Equipment Department, assistant to general manager cum head of Engineering Department, and the vice-head of the Project Management Department of Angang Holding.

Information on Directors, Supervisors, Senior Management and Employees *(continued)*

II. EMPLOYMENT INFORMATION *(CONTINUED)*

2. Position in the shareholders of the company

Name of the personnel who held position	Name of the shareholder	Position in the shareholder	Commencement		Receipt of remuneration and allowance in the shareholder
			date of terms	End date of terms	
Zhang Xiaogang	Angang Holding	General Manager	January 2007	January 2013	Yes
		Chairman	January 2013	—	
	Angang Group Company	Director and General Manager	July 2011	—	
Tang Fuping	Angang Holding	General Manager	January 2013	—	Yes
	Angang Group Company	Deputy General Manager	July 2011	—	
Yang Hua	Angang Holding	Secretary of the Party Committee	January 2013	—	Yes
Xu Zhiwu	Angang Group Company	Director and Secretary of the Disciplinary Committee	July 2013	—	Yes
Shan Mingyi	Angang Holding	Vice Chairman of the Labour Union	February 2013	November 2013	No

III. REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Decision-making procedures, rationale for determination and actual payment of the remuneration for Directors, Supervisors and senior management

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

Information on Directors, Supervisors, Senior Management and Employees *(continued)*

III. REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(CONTINUED)*

2. Remuneration of the Directors, Supervisors and senior management of the Company during the Reporting Period

Name	Position	Gender	Age	Status of Position	Total Remuneration Received from the Company <i>(RMB0'000)</i>	Total Remuneration Received from Shareholders <i>(RMB0'000)</i>	Actual remuneration received at the end of the Reporting Period <i>(RMB0'000)</i>
Zhang Xiaogang	Chairman	Male	60	In office	0	66.28	66.28
Tang Fuping	Vice Chairman	Male	56	In office	0	58.89	58.89
Yang Hua	Vice Chairman	Male	52	In office	0	57.44	57.44
Wang Yidong	Director, General Manager	Male	46	In office	39.04	0	39.04
Ma Lianyong	Director, Secretary to the Board Chief Accountant	Male	52	In office	37.03	0	37.03
Li Shijun	Independent Non-executive Director	Male	70	In office	9.00	0	9.00
Chen Fangzheng	Independent Non-executive Director	Male	68	In office	4.50	0	4.50
Qu Xuanhui	Independent Non-executive Director	Male	54	In office	4.50	0	4.50
Kwong Chi Kit, Victor	Independent Non-executive Director	Male	47	In office	9.00	0	9.00
Xu Zhiwu	Chairman of the Supervisory Committee	Male	53	In office	0	6.69	6.69
Shan Mingyi	Supervisor	Male	61	In office	35.37	0	35.37
Bai Hai	Supervisor	Male	39	In office	8.73	0	8.73
Zhang Lifan	Deputy General Manager	Female	49	In office	37.04	0	37.04
Ren Ziping	Chief Engineer	Male	50	In office	36.23	0	36.23
Liu Jun	Deputy General Manager	Female	46	In office	21.42	7.78	29.20
Chen Ming	Former Director Former General Manager	Male	53	Resigned	20.89	33.42	54.31
Yu Wanyuan	Former Director	Male	53	Resigned	0	58.36	58.36
Fu Jihui	Former Director Former Secretary to the Board	Male	62	Resigned	11.00	0	11.00
Su Wensheng	Former Chairman of the Supervisory Committee	Male	58	Resigned	0	0	0
Liu Baoshan	Former Deputy General Manager	Male	52	Resigned	27.41	7.82	35.23
Chen Guofeng	Former Deputy General Manager	Male	57	Resigned	19.26	8.53	27.79
Ma Guoqiang	Former Independent Non-executive Director	Male	60	Resigned	4.50	0	4.50

Information on Directors, Supervisors, Senior Management and Employees *(continued)*

IV. RESIGNATION AND DISMISSAL OF THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Category	Date	Reason
Liu Jun	Deputy General Manager	Appointed	2013.03.27	The 43rd meeting of the fifth session of the Board of the Company approved the appointment of Ms. Liu Jun as the Deputy General Manager of the Company.
Chen Guofeng	Deputy General Manager	Appointed	2013.03.27	The 43rd meeting of the fifth session of the Board of the Company approved the appointment of Mr. Chen Guofeng as the Deputy General Manager of the Company.
Fu Jihui	Director, Secretary to the Board	Resigned	2013.05.15	As Mr. Fu Jihui has reached the age of retirement, the resignation tendered by him to resign as a Director of the Company and the Secretary to the Board was approved at the 46th meeting of the fifth session of the Board of the Company.
Ma Lianyong	Secretary to the Board	Appointed	2013.05.15	The 46th meeting of the fifth session of the Board of the Company approved the appointment of Mr. Ma Lianyong as the Secretary to the Board of the Company.
Zhang Xiaogang	Director	Elected	2013.07.08	Re-election of the Board
Tang Fuping	Director	Elected	2013.07.08	Re-election of the Board
Yang Hua	Director	Elected	2013.07.08	Re-election of the Board
Chen Ming	Director	Elected	2013.07.08	Re-election of the Board
Wang Yidong	Director	Elected	2013.07.08	Re-election of the Board
Ma Lianyong	Director	Elected	2013.07.08	Re-election of the Board
Li Shijun	Independent Non-executive Director	Elected	2013.07.08	Re-election of the Board
Chen Fangzheng	Independent Non-executive Director	Elected	2013.07.08	Re-election of the Board
Qu Xuanhui	Independent Non-executive Director	Elected	2013.07.08	Re-election of the Board
Kwong Chi Kit, Victor	Independent Non-executive Director	Elected	2013.07.08	Re-election of the Board
Su Wensheng	Supervisor	Elected	2013.07.08	Re-election of the Supervisory Committee
Shan Mingyi	Supervisor	Elected	2013.07.08	Re-election of the Supervisory Committee
Bai Hai	Supervisor	Elected	2013.07.08	Re-election of the Supervisory Committee
Yu Wangyuan	Director	Resigned after the expiration of term	2013.07.08	Resigned after the expiration of term of the fifth session of the Board.
Ma Guoqiang	Independent Non-executive Director	Resigned after the expiration of term	2013.07.08	Resigned after the expiration of term of the fifth session of the Board.
Zhang Xiaogang	Director	Elected	2013.07.08	Re-election of the Board
Tang Fuping	Director	Elected	2013.07.08	Re-election of the Board
Yang Hua	Director	Elected	2013.07.08	Re-election of the Board

Information on Directors, Supervisors, Senior Management and Employees *(continued)*

IV. RESIGNATION AND DISMISSAL OF THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(CONTINUED)*

Name	Position	Category	Date	Reason
Chen Ming	General Manager	Resigned	2013.07.08	Due to change in work arrangements, the first meeting of the sixth session of the Board of the Company approved the resignation of Mr. Chen Ming from the position of the General Manager of the Company.
Wang Yidong	General Manager	Appointed	2013.07.08	The first meeting of the sixth session of the Board of the Company approved the appointment of Mr. Wang Yidong as the General Manager of the Company.
Liu Baoshan	Deputy General Manager	Resigned	2013.07.08	Due to change in work arrangements, the first meeting of the sixth session of the Board of the Company approved the resignation of Mr. Liu Baoshan from the position of the Deputy General Manager of the Company.
Chen Ming	Director	Resigned	2013.08.29	Due to change in work arrangements, the second meeting of the sixth session of the Board of the Company approved the resignation of Mr. Chen Ming from the position of the Director of the Company.
Chen Guofeng	Deputy General Manager	Resigned	2013.08.29	Due to change in work arrangements, the second meeting of the sixth session of the Board of the Company approved the resignation of Mr. Chen Guofeng from the position of the Deputy General Manager of the Company.
Su Wensheng	Supervisor, Chairman of the Supervisory Committee	Resigned	2013.12.31	Due to change in work arrangements, Mr. Su Wensheng no longer works in Angang Group Company at present. The resignation of Mr. Su Wensheng from the position of Supervisor and Chairman of the Supervisory Committee of the Company was approved at the fourth meeting of the sixth session of the Supervisory Committee of the Company. The resignation came into effect upon the election of new Supervisor at the third extraordinary general meeting of the Company on 31 December 2013.
Xu Zhiwu	Supervisor	Elected	2013.12.31	On 31 December 2013, the 2013 third extraordinary general meeting of the Company elected Mr. Xu Zhiwu as the shareholder representative supervisor of the sixth session of the Supervisory Committee of the Board.
Xu Zhiwu	Chairman of the Supervisory Committee	Elected	2013.12.31	On 31 December 2013, the fifth meeting of the sixth session of the Supervisory Committee of the Company elected Mr. Xu Zhiwu as the Chairman of the six session of the Supervisory Committee.

Information on Directors, Supervisors, Senior Management and Employees *(continued)*

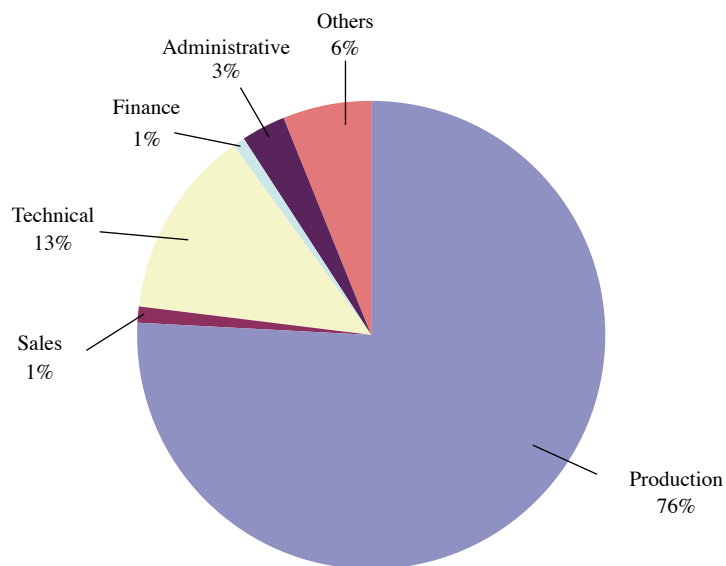
V. CHANGE OF KEY TECHNICAL TEAM OR KEY TECHNICAL STAFF (OTHER THAN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT) DURING THE REPORTING PERIOD

During the Reporting Period, there was no change of key technical staff in the Company.

VI. EMPLOYEES OF THE COMPANY

As at 31 December 2013, the Company had 33,520 employees, among which:

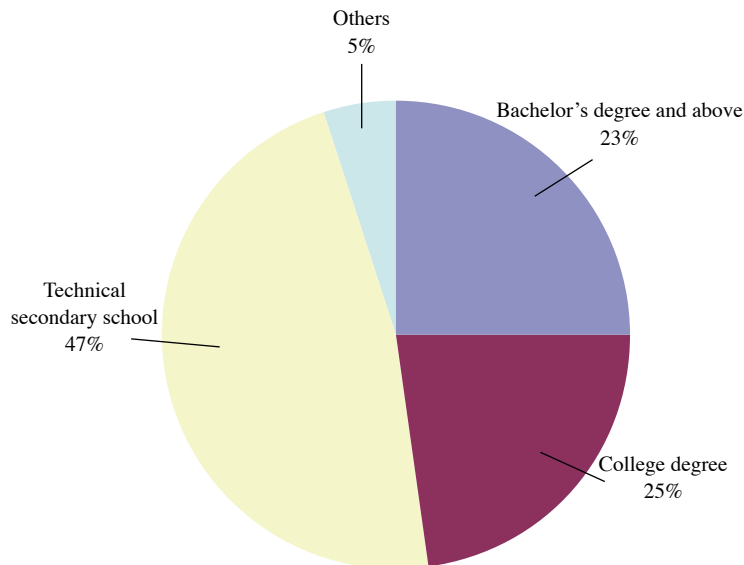
By Professional Structures:



Information on Directors, Supervisors, Senior Management and Employees *(continued)*

VI. PERSONNEL OF THE COMPANY *(CONTINUED)*

By Educational Level:



In 2013, with a focus on the promotion of independent innovation, optimization of product structure, improvement of product quality and enhancement of corporate management, the trainings of the Company closely revolved around the development strategy of human resources and the practical situation of production and operation. Through continuous improvement of the staff training model and practical enhancement of the pertinence and effectiveness of the trainings, the staff's overall quality had been improved comprehensively.

During the year, 19,656 person-times attended and completed centralized training courses. 533 person-times of senior management attended training for, among others, political theory knowledge, strategic management, and 5,326 person-times of management and professional technical staff attended trainings for management knowledge and expertise. 696 person-times of high-skilled talents attended trainings for the capability of innovation. 4,435 person-times of production staff attended trainings for technical grades and equipment inspection. 6,643 person-times attended trainings for specialized operation security qualifications, 1,797 person-times attended trainings for team and group security and vocational training. 105 employees attended entrusted trainings for on-the-job study for master degree. 121 management and experts attended training courses in colleges. 26,071 person-times completed training for on-the-job knowledge and operation techniques.

The Company has adopted a position-and-performance based annual remuneration packages for senior management; position-and-performance based remuneration and new product development incentive packages for research personnel; sales/profit-linked remuneration package for sales personnel; and position-and-Performance based remuneration packages for other personnel.

I. BASIC INFORMATION ON CORPORATE GOVERNANCE

Whether there is inconformity between the corporate governance of the Company and the Company Law and requirements of CSRC in respect of corporate governance system and corporate governance structure.

Yes No

Progress of the corporate governance activities and the formulation and implementation of the Administrative System for Registration of Persons with Inside Information

On 27 March 2012, pursuant to the Requirements for the Establishment of Administrative System for Registration of Persons with Inside Information of Listed Companies* (《關於上市公司建立內幕信息知情人登記管理制度的規定》) stipulated by the CSRC, the Board of the Company has further amended the Administrative System for Registration of Persons with Inside Information (《內幕信息知情人登記管理制度》). For routine management on inside information, the Company stringently complied with requirements of the securities regulatory authorities, designated personnel to promptly perform registration and filing for persons with insider information. During the price sensitive period of periodic reports and major information disclosure of the Company, the Company reminded personnel with insider information of no trading of the Company's shares, enhanced supervision and control over the shareholding of personnel with insider information and effectively prevented the occurrence of insider trading.

II. INFORMATION ON THE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS DURING THE REPORTING PERIOD

1. Annual general meeting in the Reporting Period

Session and number of Meeting	Date of Meeting	Proposals in the Meetings	Resolution Status
2012 Annual General Meeting	31 May 2013	<p>Proposal 1. To consider and approve the report of the board of directors of the Company for 2012.</p> <p>Proposal 2. To consider and approve the report of the supervisory committee of the Company for 2012</p> <p>Proposal 3. To consider and approve the auditor's report for the Company for 2012.</p> <p>Proposal 4. To consider and approve the proposal for distribution of profits of the Company for 2012.</p> <p>Proposal 5. To consider and approve the proposed remuneration of the directors and supervisors of the Company for 2012.</p> <p>Proposal 6. To consider and approve the proposal for appointment of RSM China Certified Public Accountants (Special General Partnership) as the auditor of the Company for 2013 and to authorize the Board to determine their remunerations.</p> <p>Proposal 7. To consider and approve the Supply of Materials and Services Agreement (2014-2015) entered in to between the Company and Angang Group Company.</p> <p>Proposal 8. To consider and approve the Supply of Materials Agreement (2014-2015) entered into between the Company and Pangang Vanadium & Titanium.</p> <p>Proposal 9. To consider and approve the Financial Services Agreement (2014-2015) entered in to between the Company and Angang Group Financial Company Limited.</p>	Resolution 9 was rejected, all of the others were approved

II. INFORMATION ON THE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS DURING THE REPORTING PERIOD *(CONTINUED)*

2. Extraordinary general meetings in the Reporting Period

Session and number of meeting	Date of meeting	Proposals in the meetings	Resolution status
First extraordinary general meeting in 2013	30 January 2013	Proposal 1. To consider the proposal in relation to Assets Exchange between the Company and Angang Group International Trade Corporation. Proposal 2. To consider the proposal in relation to the Share Transfer between the Company and Anshan Iron and Steel Group Corporation. Proposal 3. To consider the proposal in relation to the Transfer of Entrusted Equity Interest of Certain Companies under Anshan Iron and Steel Group Corporation and Angang Group International Trade Corporation to the Company. Proposal 4. To consider the proposal in relation to the amendments to the Articles of Association.	All approved
Second extraordinary general meeting in 2013	8 July 2013	Proposal 1. To consider the proposal in relation to the election of Executive Directors of the sixth session of the Board. Proposal 2. To consider the proposal in relation to the election of the Independent Non-executive Directors of the sixth session of the Board. Proposal 3. To consider the proposal in relation to the election of the Shareholder Representative Supervisors of the sixth session of the Supervisory Committee. Proposal 4. To consider the proposal in relation to the amendments to the Articles of Association.	All approved
Third Extraordinary General Meeting in 2013	31 December 2013	Proposal 1. To consider the Financial Services Agreement (2014-2015) entered into between the Company and Angang Group Financial Company Limited*; Proposal 2. To consider the proposal in relation to the election of Mr. Xu Zhiwu as the Supervisor of the sixth session of the Supervisory Committee of the Company; Proposal 3. To consider the proposal in relation to the appointment of Ruihua Certified Public Accountants (Special General Partnership) as the auditor of the Company for 2013 and the authorization of the Board to determine its remuneration; Proposal 4. To consider the proposal in relation to the change of business scope of the Company and amendments to the Articles of Association.	Resolution 1 was rejected, and others were approved

Corporate Governance *(continued)*

III. DISCHARGE OF DUTIES BY INDEPENDENT DIRECTORS DURING THE REPORTING PERIOD

1. Attendance of independent Directors at Board meetings and general meetings

Attendance of independent Directors at Board meetings

Name of independent Directors	Required attendance at the Board meetings during the Reporting Period	Attendance in person	Attendance through communication	Attendance by proxy	Absence	Non-attendance in person for two consecutive times
Li Shijun	17	5	12	0	0	No
Chen Fangzheng	9	3	6	0	0	No
Qu Xuanhui	9	3	6	0	0	No
Kwong Chi Kit, Victor	17	2	12	3	0	No
Ma Guoqiang	8	1	6	1	0	No

Attendance of independent Directors at general meetings 3 meetings

2. Disagreement of independent Directors on relevant issues of the Company

During the Reporting Period, no disagreement was proposed by independent Directors of the Company on relevant issues of the Company.

IV. CORPORATE GOVERNANCE REPORT

1 Corporate Governance Practice

With shares listed in both Hong Kong and Shenzhen, 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.

IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

2 Securities Transactions of the Directors

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

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

3 Independent Non-executive Directors

Throughout the Reporting Period, the Board of the Company 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 with the Rule 3.10(2) of the Hong Kong Listing Rules, which requires one of those independent non-executive directors to possess professional qualifications or accounting or related financial management expertise.

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

4 The Board and its Special Committees

(1) Composition of the Board

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

The Board of the Company establishes 4 special committees, which are all comprised of Directors. In particular, the majority of the members of the Audit Committee, Nomination Committee, Remuneration and Appraisal Committee are independent non-executive Directors who are also the conveners. There is at least one independent non-executive Director in the Audit Committee who possesses professional qualifications in accounting. Each of the special committees is accountable for the Board and submits proposals to the Board for consideration and approval. Members of the Board of the Company and their attendance at the meetings in 2013 are as follows:

IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

(1) Composition of the Board *(Continued)*

The members and attendance to meeting of the fifth session of the Board are as follow:

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

The members of the sixth session of the Board and the attendance at the meetings are as follows:

Name	Position in the Board	Attendance to meetings
Zhang Xiaogang	Chairman	100%
Tang Fuping	Vice Chairman	100%
Yang Hua	Vice Chairman	100%
Wang Yidong	Executive Director	100%
Ma Lianyong	Executive Director	100%
Li Shijun	Independent non-executive Director	100%
Chen Fangzheng	Independent non-executive Director	100%
Qu Xuanhui	Independent non-executive Director	100%
Kwong Chi Kit, Victor	Independent non-executive Director	100%

IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

(2) Duties and Operation of the Board

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

- i. to convene and report at the general meetings;
- ii. to implement the resolutions passed at the general meetings;
- iii. to decide the Company's business and investment plans;
- iv. to prepare the Company's annual budget and its implementation plan;
- v. to prepare the Company's profit distribution plan and loss recovery plan;
- vi. to prepare the proposals for the increase or reduction of the Company's registered capital, issue of debentures or other securities as well as listing;
- vii. to draw up plans for significant acquisition by the Company, purchase of the Company's shares or the merger, division and dissolution of the Company and change of corporate form;
- viii. to determine the Company's internal management structure;
- ix. to appoint or dismiss the Company's manager and the Secretary to the Board, to appoint or dismiss the Company's deputy general manager and other senior management including financial controller as nominated by the manager, and determine their remunerations, awards and punishment;
- x. to prepare the Company's basic management system;
- xi. to prepare amendments to the articles of association of the Company.

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

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

In 2013, the Board of the Company held a total of 17 Board meetings.

IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

(3) Remuneration and Appraisal Committee

In 2013, the members of the Remuneration and Appraisal Committee of the Company and their attendance to meetings are as follows:

The members of the Remuneration and Appraisal Committee of the fifth session of the Board and their attendance to meetings are as follows:

Name	Position in the Committee	Attendance to meetings
Kwong Chi Kit, Victor	convener	100%
Li Shijun	member	100%
Yang Hua	member	100%
Ma Guoqiang	member	100%

During the Reporting Period, the Remuneration and Appraisal Committee of the sixth session of the Board did not hold any meeting.

Main duties of the Remuneration and Appraisal Committee are:

- i. to research the assessment criteria of Directors and senior management of the Company and to carry out the assessment and provide advices;
- ii. to study and review the remuneration policies and proposals for the Directors and senior management.

In 2013, the Remuneration and Appraisal Committee of the Company held 1 meeting which mainly assessed the performance of the Directors and senior management personnel of the Company during 2012 and reviewed their remunerations for 2012, and submitted the same to the Board for consideration.

IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

(4) Nomination Committee

The members of the Nomination Committee of the Company and their attendance in 2013 are as follows:

The members of the Nomination Committee of the fifth session of the Board and their attendance are as follows:

Name	Position in the Committee	Attendance to meetings
Li Shijun	convener	100%
Zhang Xiaogang	member	100%
Ma Guoqiang	member	100%
Kwong Chi Kit, Victor	member	100%

The members of the Nomination Committee of the sixth session of the Board and their attendance are as follows:

Name	Position in the Committee	Attendance to meetings
Li Shijun	convener	100%
Zhang Xiaogang	member	100%
Kwong Chi Kit, Victor	member	100%
Chen Fangzheng	member	100%
Qu Xuanhui	member	100%

Main duties of the Nomination Committee are:

- i. to study the criteria and procedures of selection of Directors and senior management, and provide suggestions;
- ii. to conduct extensive search for qualified candidates of Directors and senior management personnel;
- iii. to assess the candidates for Directors and senior management and provide relevant recommendations.

In 2013, the Nomination Committee of the Company held 3 meetings to nominate the Executive Directors, Independent Non-executive Directors, General Manager, Deputy General Manager and other personnel. of the Company in accordance with the qualification requirements and relevant requirement of regulations and the articles of association.

IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

(5) Audit Committee

The members of the Audit Committee of the Company and their attendance in 2013 are as follows:

The members of the Audit Committee of the fifth session of the Board and their attendance are as follows:

Name	Position in the Committee	Attendance to meetings
Ma Guoqiang	convener	100%
Kwong Chi Kit, Victor	member	100%
Li Shijun	member	100%

The members of the Audit Committee of the sixth session of the Board and their attendance are as follows:

Name	Position in the Committee	Attendance to meetings
Kwong Chi Kit, Victor	convener	100%
Li Shijun	member	100%
Chen Fangzheng	member	100%
Qu Xuanhui	member	100%

Main duties of the Audit Committee are:

- i. to make proposals in relation to the engagement or change of external auditor;
- ii. to supervise the Company's internal auditing system and its implementation;
- iii. to facilitate communication between internal auditing department and external auditor;
- iv. to review financial information of the Company and its disclosure;
- v. to review the Company's internal control system.

IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

(5) Audit Committee *(Continued)*

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

In 2013, the Audit Committee of the Company held a total of 4 meetings. During the meetings, the Audit Committee mainly reviewed the quarterly, interim and annual financial statements of the Company and financial information set out in the quarterly, interim and annual reports of the Company, reviewed the internal control system of the Company, and made recommendations in relation to the engagement of external auditor.

The Audit Committee and the management of the Company have jointly examined the Company's accounting policy and have discussed on the issues in relation to the auditing, internal control and financial statements of the Company, including a review of the audited financial statements for the year ended 31 December 2013.

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

- Opinions after reviewing the Financial Report for 2013

The Company's financial report for 2013 was prepared based on the requirements of the PRC ASBE; expenditures were reasonable; revenues, expenses and profits were recognized truly and accurately; relevant provisions were made as specified by the laws, regulations and relevant systems, reflecting the Company's financial positions, operating results and cash flow in a true, accurate and complete manner; it was approved to be submitted to the Board of the Company for consideration.

IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

(5) Audit Committee *(Continued)*

- Opinions on the Audit Work by Accountants for 2013

Ruiha Certified Public Accountants (Special General Partnership) performed their duties during the auditing of the Company's financial statements for 2013 in accordance with relevant laws and regulations of the PRC and Hong Kong and in compliance with professional ethics of accountants, and expressed their opinion on the Company's accounting statements objectively and fairly, enabling the Company to satisfy the requirements from the domestic and overseas regulatory institutions.

- Opinions on the Appointment of Ruiha Certified Public Accountants (Special General Partnership) as auditor of the Company for 2014

The Board has proposed to reappoint Ruiha Certified Public Accountants (Special General Partnership) as the auditor of the Company for 2014 for a term from the close of the 2013 annual general meeting to the time of convening of the annual general meeting for 2014.

5. Chairman and General Manager

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

Duties of the Chairman:

- i. to preside over the general meetings and to convene and preside over the Board meetings;
- ii. to supervise and check the implementation of resolutions of the Board;
- iii. to sign the securities issued by the Company; and
- iv. to exercise other powers conferred by the Board.

IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

5. Chairman and General Manager *(Continued)*

Duties of the General Manager:

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

- i. to take charge of the Company's production, operation and management and to organize and implement the resolutions of the Board and report to the Board;
- ii. to organize and implement the Company's annual business plan and investment plan;
- iii. to make proposals in relation to the Company's internal organizational structure;
- iv. to make proposals in relation to the Company's basic management system;
- v. to prepare the basic rules and regulations of the Company;
- vi. to make proposals in relation to the appointment or dismissal of the deputy general manager or other senior management personnel of the Company (including the financial controller);
- vii. to appoint or dismiss the management personnel other than those required to be appointed or dismissed by the Board; and
- viii. other powers as conferred under the articles of association of the Company or granted by the Board.

V. THE PERFORMANCE OF DUTIES BY THE SUPERVISORY COMMITTEE

During the year, the Supervisory Committee of the Company duly fulfilled their duties in accordance with the Company Law and the articles of association of the Company in order to protect the lawful interests of the Company and its shareholders. The Supervisory Committee raised no objection to monitoring issues during the Reporting Period.

VI. THE INDEPENDENCE AND COMPLETENESS OF THE COMPANY IN RELATION TO ITS CONTROLLING SHAREHOLDER IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

The Company is completely independent of its controlling shareholder in terms of business, personnel, assets, organization, finance, etc. Such independent corporate structure and operation are in compliance with the requirements of the relevant laws and regulations. The Company has an independent and complete business and is capable of operating independently.

VII. COMPETITION WITH PEERS IN THE INDUSTRY

In November 2010, the 2 million-tonne iron and steel project in Chaoyang, which was jointly funded and established by Anshan Iron and Steel Group Complex* and Lingyuan Iron & Steel Group Co., Ltd. (凌源鋼鐵集團有限責任公司) was completed and commenced production. For details of the iron and steel project in Chaoyang, please see the announcement on the resolutions of the 8th meeting of the fourth session of the Board of the Company published in China Securities Journal, the Securities Times and on CNINF (<http://www.cninfo.com.cn>) on 27 March 2007.

VIII. APPRAISAL AND INCENTIVE MECHANISM FOR THE SENIOR MANAGEMENT

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

I. DEVELOPMENT OF INTERNAL CONTROL

According to the requirements of the Basic Standards for Internal Control of Companies (《企業內部控制基本規範》) and the corresponding guidance and other regulatory requirements concerning the internal control (“Enterprise Internal Control Regulated Systems”), and considering internal control system and evaluation methods of the Company and based on the day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2013 (the reference date of the Internal Control Assessment Report).

The Board is of the view that, the Company has set up and effectively implement internal control on business and matters which are subject to assessment, and found no material defects thereof, thus achieving its objectives of internal control.

During the period from the reference date of the Internal Control Assessment Report to the date of issue of such report, there were no significant changes in internal control that would cause material effect on the conclusion of the assessment.

The Board of the Company is aware of the fact that internal control shall be complementary to, among others, the operating scale, business scope, competitiveness and risk level of the Company and shall be adjusted timely in line with the changing conditions. In 2014, through pressing ahead with continuous optimization of the internal control system, regulating the implementation thereof, and strengthening supervision and inspection on internal control, the Company will be poised for a healthy and sustainable development.

II. STATEMENT OF THE BOARD ON THE RESPONSIBILITY OF INTERNAL CONTROL

According to the requirements of Enterprise Internal Control Regulated Systems, the Board of the Company shall commit itself to establishing a comprehensive and effective internal control system, assess its effectiveness and disclose the Internal Control Assessment Report honestly; the Supervisory Committee shall supervise the performance of the Board in respect the establishment and implementation of internal control, and the managers shall organize and be in charge of the daily operation of the corporate internal control.

III. ESTABLISHMENT OF THE STANDARD ON THE INTERNAL CONTROL OF FINANCIAL STATEMENT

In strict compliance with the requirements under relevant laws, regulations and internal rules such as the Company Law and the Securities Law, and with reference to regulatory documents including the Hong Kong Listing Rules, the Listing Rules of the Shenzhen Stock Exchange, the Rules for Corporate Governance of Listed Companies, the Guidance for Internal Control of Listed Companies of the Shenzhen Stock Exchange and the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》), the Board of the Company and the Audit Committee under it have gradually established and optimized various internal control systems through strengthening and regulating its corporate internal control with its own features incorporated whilst putting them into practice consistently.

IV. EVALUATION REPORT ON INTERNAL CONTROL

Details of material defect on internal control discovered during the Reporting Period as set out in the evaluation report on internal control

None

Date of disclosure of full text of the evaluation report on internal control 31 March 2014

Reference of disclosure of full text of the evaluation report on internal control China Securities Journal, the Securities Times and on CNINF <http://www.cninfo.com.cn>

V. AUDIT REPORT ON INTERNAL CONTROL

Opinion on the review of the audit report on internal control

Ruihua Certified Public Accountants (Special General Partnership) has audited the internal control of the financial report of the Company in respect of its effectiveness, and is of the opinion that Angang Steel Company Limited maintained effective internal control on the financial report in all material aspects in accordance with the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》) and the relevant regulations as of 31 December 2013.

Date of disclosure of full text of the audit report on internal control 31 March 2014

Reference of disclosure of full text of the audit report on internal control China Securities Journal, the Securities Times and on CNINF <http://www.cninfo.com.cn>

The opinion of the audit report on internal control issued by accounting firm is consistent with that of the self-evaluation report of the Board.

VI. ESTABLISHMENT AND IMPLEMENTATION OF THE ACCOUNTABILITY SYSTEM FOR MAJOR ERRORS IN DISCLOSURE OF INFORMATION IN THE ANNUAL REPORT (《年度報告重大差錯責任追究制度》)

On 19 April 2010, the 10th meeting of the fifth session of the Board of the Company considered and approved the Accountability System for Major Errors in Disclosure of Information in the Annual Report (《年度報告重大差錯責任追究制度》).

No material error in disclosure of information in annual report, clarification on material accounting error, supplement of material omission of information and amendment on estimated results have occurred to the Company as at the present.

Annual General Meeting

The 2013 annual general meeting of the Company will be held on 4 June 2014, details of which and the proposed resolutions are set out in the accompanying notice of annual general meeting of the Company.

TO ALL THE SHAREHOLDERS OF ANGANG STEEL COMPANY LIMITED:

We have audited the accompanying financial statements of Angang Steel Company Limited (hereinafter the "Company"), which comprise the consolidated and company balance sheets as at December 31,2013, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company's statements of change in shareholders' equity and the notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

2. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conduct our audit in accordance with China Standards on Auditing for Certified Public Accountants. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

2. AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Angang Steel Company Limited as at December 31,2013,and consolidated financial performance and consolidated cash flows of Angang Steel Company Limited for the year 2013, and the financial position of Angang Steel Company Limited as at December 31,2013 and the financial performance and cash flows of Angang Steel Company Limited for the year 2013 in accordance with China Accounting Standards for Business Enterprises.

RuiHua Certified Public Accountants
(Special General Partnership)

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

Li Zhushan
Xu Chaoyu

Beijing, China
March 28, 2014

Consolidated Balance Sheet

As at December 31, 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Assets	Notes	Dec.31,2013	Dec.31,2012
Current assets:			
Cash at bank and on hand	7(1)	1,126	3,123
Financial assets held for trading			
Notes receivable	7(2)	10,623	9,388
Accounts receivable	7(3)	2,134	1,895
Prepayments	7(5)	3,042	2,966
Dividends receivable	7(6)		7
Other receivables	7(4)	18	73
Inventories	7(7)	12,356	11,498
Non-current assets due within 1 year			
Other current assets	7(8)		8
Total current assets		29,299	28,958
Non-current assets:			
Available-for-sale financial assets	7(9)	56	101
Long-term equity investments	7(10)	3,128	2,711
Investment properties			
Fixed assets	7(11)	45,452	51,308
Construction in progress	7(12)	5,756	9,751
Construction material	7(13)	26	243
Intangible assets	7(14)	6,147	6,759
Long-term deferred expenses			
Deferred income tax assets	7(15)	3,001	3,506
Other non-current assets			
Total non-current assets		63,566	74,379
Total assets		92,865	103,337

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Balance Sheet (Continued)

Liabilities and shareholders' equity	Notes	Dec.31,2013	Dec. 31,2012
Current liabilities:			
Short-term loans	7(17)	9,241	15,130
Notes payable	7(18)	47	3,343
Accounts payable	7(19)	15,343	5,866
Advances from customers	7(20)	4,031	5,520
Employee benefits payable	7(21)	281	313
Tax and surcharges payable	7(22)	(550)	(1,356)
Interest payable	7(23)	196	96
Other payables	7(24)	1,944	2,678
Non-current liabilities due within 1 year	7(25)	1,271	7,501
Other current liabilities	7(26)	6,001	6,005
Total current liabilities		37,805	45,096
Non-current liabilities:			
Long-term loans	7(27)	3,044	8,364
Bonds payable	7(28)	3,971	
Deferred income tax liabilities	7(15)	20	29
Other non-current liabilities	7(29)	935	815
Total non-current liabilities		7,970	9,208
Total liabilities		45,775	54,304
Shareholders' equity:			
Share capital	7(30)	7,235	7,235
Capital reserve	7(31)	31,136	32,080
Special reserve	7(32)	21	44
Surplus reserves	7(33)	3,580	3,580
Undistributed profits	7(34)	5,054	4,419
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		47,026	47,358
Minority interests		64	1,675
Total shareholders' equity		47,090	49,033
Total liabilities and shareholders' equity		92,865	103,337

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Income Statement

For the year ended December 31, 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Notes	2013	2012
1. Operating income		75,329	78,214
Including: Operating income	7(35)	75,329	78,214
2. Operating costs		75,220	84,018
Including: Operating costs	7(35)	66,929	75,892
Business tax and surcharges	7(36)	194	182
Marketing expenses	7(37)	1,743	1,359
Administrative expenses	7(38)	3,270	3,041
Financial expenses	7(39)	1,218	1,846
Impairment losses on assets	7(41)	1,866	1,698
Add:			
gains/losses from fair value variation			
Investment income	7(40)	555	414
Including: Income from investment in joint ventures and associates		533	404
3. Operating profit		664	(5,390)
Add: Non-operating income	7(42)	158	119
Less: Non-operating expenses	7(43)	94	49
Including: Losses on non-current assets disposal		89	41
4. Profit before income tax		728	(5,320)
Less: Income tax expenses	7(44)	(27)	(1,068)
5. Net profit for the period		755	(4,252)
Net profit attributable to shareholders of parent company		770	(4,025)
Gains/losses attributable to minority shareholders		(15)	(227)
6. Earning per share			
(1) Basic earnings per share (RMB Yuan/share)	7(45)	0.106	(0.556)
(2) Diluted earnings per share (RMB Yuan/share)	7(45)	0.106	(0.556)
7. Other comprehensive income	7(46)	(34)	7
8. Total comprehensive income		721	(4,245)
Share of total comprehensive income attributable to shareholders of parent company		736	(4,018)
Share of total comprehensive income attributable to minority interest		(15)	(227)

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Cash Flow Statement

Items	Notes	2013	2012
1. Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		66,808	75,960
Refund of tax and fare		12	384
Other cash received from operating activities	7(47)	334	205
Sub-total of cash inflows		67,154	76,549
Cash paid for goods and services		49,865	68,634
Cash paid to and for the employees		3,462	2,692
Cash paid for all types of taxes		1,662	1,395
Other cash paid for operating activities	7(47)	1,602	1,260
Sub-total of cash outflows		56,591	73,981
Net cash flow from operating activities		10,563	2,568
2. Cash flows from investing activities			
Cash received from return of investments		408	236
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		28	6
Net cash received from disposal of subsidiaries and other operating units			
Other cash received from investment activities	7(47)	271	36
Sub-total of cash inflows		707	278
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		2,948	2,993
Cash paid for acquisition of investments		118	107
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities	7(47)	231	
Sub-total of cash outflows		3,297	3,100
Net cash flow from investing activities		(2,590)	(2,822)

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Cash Flow Statement (Continued)

For the year ended December 31, 2013

Prepared by: Angang Steel Company Limited

Monetary unit: RMB million

Items	Notes	2013	2012
3. Cash flows from financing activities			
Cash received from absorbing investments			300
Including: received of subsidiary from minority shareholders			300
Cash received from borrowings		27,924	53,339
Other cash received from financing activities			
Sub-total of cash inflows		27,924	53,639
Cash paid for settling of debts		36,436	50,334
Cash paid for distribution of dividends or profit and repayment of interests		1,458	2,488
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities			
Sub-total of cash outflows		37,894	52,822
Net cash inflow from financing activities		(9,970)	817
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
5. Net increase in cash and cash equivalents			
	7(48)	(1,997)	563
Add: Cash and cash equivalents brought forward	7(48)	3,123	2,560
6. Cash and cash equivalents carried forward			
	7(48)	1,126	3,123

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Statement of changes in shareholders' equity

Items	2013									
	Shareholders' equity attributable to shareholders of the parent company									
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Minority interests	Total of shareholders' equity
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		615			10		135		44	804
2. Balance as at 1 Jan. 2013	7,235	32,080		44	3,580		4,419		1,675	49,033
3. Increase/decrease in 2013 ("-" represents loss)		(944)		(23)			635		(1,611)	(1,943)
(1) Net profit							770		(15)	755
(2) Other comprehensive income		(34)								(34)
Subtotal of (1) and (2)		(34)					770		(15)	721
(3) Capital injected or withdrawn by owners		(910)							(1,596)	(2,506)
i. Capital injected by owners										
ii. Amount of shares-based payment recorded in owner's equity										
iii. Others		(910)							(1,596)	(2,506)
(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				(23)						(23)
i. Extracts of this period				66						66
ii. Usage of this period				(89)						(89)
4. Balance as at 31 Dec. 2013	7,235	31,136		21	3,580		5,054		64	47,090

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Statement of changes in shareholders' equity (Continued)

As at 31 December 2013

Prepared by: Angang Steel Company Limited

Monetary unit: RMB million

Items	2012									Total of shareholders' equity
	Shareholders' equity attributable to shareholders of the parent company									
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus	General risk reserve	Undistributed profit	Others	Minority interests	
1. Balance as at 31 Dec. 2011	7,235	31,458		47	3,570		8,441		1,554	52,305
Add: Correction of prior year errors										
Correction of prior year errors										
Others		615			9		194		48	866
2. Balance as at 1 Jan. 2012	7,235	32,073		47	3,579		8,635		1,602	53,171
3. Increase/decrease in 2012 ("represents loss")		7		(3)	1		(4,216)		73	(4,138)
(1) Net profit							(4,025)		(227)	(4,252)
(2) Other comprehensive income		7								7
Subtotal of (1) and (2)		7					(4,025)		(227)	(4,245)
(3) Capital injected or withdrawn by owners									300	300
i. Capital injected by owner									300	300
ii. Amount of shares-based payment recorded in owner's equity										
iii. Others										
(4) Profit distribution					1		(191)			(190)
i. Transfer to surplus reserve					1		(1)			
ii. Transfer to general risk reserve										
iii. Distribution to shareholders										
iv. Others							(190)			(190)
(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	32,080		44	3,580		4,419		1,675	49,033

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Balance Sheet

Assets	<i>Notes</i>	Dec.31,2013	Dec. 31,2012
Current assets:			
Cash at banks and on hand		873	1,620
Financial assets held for trading			
Notes receivable		10,578	9,359
Accounts receivable	15(1)	3,102	2,355
Prepayments		2,961	2,340
Interests receivable			
Dividends receivable			7
Other receivables	15(2)	17	63
Inventories		11,112	10,198
Non-current assets due within 1 year			
Other current assets			
Total current assets		28,643	25,942
Non-current assets:			
Available-for-sale financial assets		56	101
Long-term equity investments	15(3)	3,715	6,130
Investment property			
Fixed assets		45,405	48,161
Construction in progress		5,436	4,554
Construction materials		25	14
Intangible assets		6,013	6,168
Long-term deferred expenses			
Deferred income tax assets		2,964	2,958
Other non-current assets			
Total non-current assets		63,614	68,086
Total assets		92,257	94,028

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Balance Sheet (Continued)

As at 31 December 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Liabilities and shareholders' equity	Notes	Dec.31,2013	Dec. 31,2012
Current liabilities:			
Short-term loans		9,241	12,930
Notes payable			1,556
Accounts payable		15,328	5,521
Advances from customers		3,496	4,903
Employee benefits payable		281	312
Tax and surcharges payable		(356)	(784)
Interests payables		196	96
Other payables		1,931	2,151
Non-current liabilities due within 1 year		1,271	6,471
Other current liabilities		6,001	6,005
Total current liabilities		37,389	39,161
Non-current liabilities:			
Long-term loans		2,973	6,274
Bonds payable		3,971	
Deferred income tax liabilities		20	28
Other non-current liabilities		782	623
Total non-current liabilities		7,746	6,925
Total liabilities		45,135	46,086
Shareholders' equity:			
Share capital		7,235	7,235
Capital reserve		31,182	32,076
Special reserve		21	44
Surplus reserves		3,570	3,570
Undistributed profits		5,114	5,017
Total shareholders' equity		47,122	47,942
Total liabilities and shareholders' equity		92,257	94,028

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Income Statement

Items	Notes	2013	2012
1. Operating income		75,575	76,097
Including: Operating income	15(4)	75,575	76,097
2. Operating costs		75,345	81,222
Including: Operating costs	15(4)	67,239	73,504
Business tax and surcharges		194	179
Marketing expenses		1,678	1,262
Administrative expenses		3,238	2,902
Financial expenses		1,207	1,681
Impairment losses on assets		1,789	1,694
Add: gains/losses from fair value variation			
Investment income	15(5)	(56)	420
Including: Income from investment in jointly ventures and associates		533	403
3. Operating profit		174	(4,705)
Add: Non-operating income		152	115
Less: Non-operating expenses		94	48
Including: Losses on non-current assets disposal		89	41
4. Profit before income tax		232	(4,638)
Less: Income tax expenses			(907)
5. Net profit for the period		232	(3,731)
6. Other comprehensive income		(34)	7
7. Total comprehensive income		198	(3,724)

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Cash Flow Statement

For the year ended 31 December 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Notes	2013	2012
1. Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		66,391	73,709
Refund of tax and fare		12	382
Other cash received from operating activities		323	118
Sub-total of cash inflows		66,726	74,209
Cash paid for goods and services		50,243	66,856
Cash paid to and for employees		3,426	2,581
Cash paid for all types of taxes		1,630	1,329
Other cash paid for operating activities		1,556	1,190
Sub-total of cash outflows		56,855	71,956
Net cash flow from operating activities	15(6)	9,871	2,253
2. Cash flows from investing activities			
Cash received from return of investments		1,367	
Cash received from investment income		408	244
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		28	6
Other cash received from investment activities		262	10
Sub-total of cash inflows		2,065	260
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		2,740	2,187
Cash paid for acquisition of investments		281	124
Other cash paid for investment activities			
Sub-total of cash outflows		3,021	2,311
Net cash flow from investing activities		(956)	(2,051)

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Cash Flow Statement (Continued)

Items	Notes	2013	2012
3. Cash flows from financing activities			
Cash received from absorbing investments			
Cash received from borrowings		27,583	47,806
Other cash received from financing activities			
Sub-total of cash inflows		27,583	47,806
Cash paid for settling of debts		35,821	45,531
Cash paid for distribution of dividends or profit and repayment of interests		1,424	2,095
Other cash paid for financing activities			
Sub-total of cash outflows		37,245	47,626
Net cash inflow from financing activities		(9,662)	180
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
5. Net increase in cash and cash equivalents			
	15(6)	(747)	382
Add: Cash and cash equivalents brought forward	15(6)	1,620	1,238
6. Cash and cash equivalents carried forward	15(6)	873	1,620

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Statement of changes in shareholders' equity

As at December 31, 2013
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	2013							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.2012	7,235	31,465		44	3,570		4,892	47,206
Add: Changes of accounting policy								
Correction of prior year errors								
Others		611					125	736
2. Balance as at 1 Jan.2013	7,235	32,076		44	3,570		5,017	47,942
3. Increase/decrease in 2013 ("-" represents loss)		(894)		(23)			97	(820)
(1) Net profit							232	232
(2) Other comprehensive income		(34)						(34)
Subtotal of (1) and (2)		(34)					232	198
(3) Capital introduced or withdrawn by owners		(860)						(860)
i. Capital introduced by owners								
ii. Amount of shares-based payment recorded in owner's equity								
iii. Others		(860)						(860)
(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				(23)				(23)
i. Extracts of this period				66				66
ii. Usage of this period				(89)				(89)
4. Balance as at 31 Dec.2013	7,235	31,182		21	3,570		5,114	47,122

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Statement of changes in shareholders' equity (Continued)

Items	2012							Total of shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	
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		611					190	801
2. Balance as at 1 Jan.2012	7,235	32,069		47	3,570		8,938	51,859
3. Increase/decrease in 2012("-" represents loss)								
(1) Net profit		7		(3)			(3,921)	(3,917)
(2) Other comprehensive income		7					(3,731)	(3,731)
Subtotal of (1) and (2)		7					(3,731)	(3,724)
(3) Capital injected or withdrawn by owners								
i. Capital injected by owners								
ii. Amount of shares-based payment recorded in owner's equity								
iii. Others								
(4) Profit distribution							(190)	(190)
i. Transfer to surplus reserve								
ii. Transfer to general risk reserve								
iii. Distribution to shareholders								
iv. Others							(190)	(190)
(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	32,076		44	3,570		5,017	47,942

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 business 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 for trading 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 were subsequently traded 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 were mature on the 14th March 2005. A total of 453,985,697 A shares of the company were transferred from the bonds.

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 the company got 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 represented 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.

1. COMPANY'S PROFILE *(Continued)*

On the balance sheet date, the Company's legal representative was Zhang Xiaogang and the registered capital was RMB 7,234,807,847. The business certificate code was 210000400006026 and the registered office was Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, 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 28 March, 2014

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, and prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS") and the disclosure requirements 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.

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 compliance with requirements of Accounting Standards for Business Enterprise. These financial statements present truly, accurately and completely the financial position of the Group as at December 31, 2013, the financial performance and the cash flow of the Group for the year 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 Group's accounting year is the calendar year that starts from the January 1 and ended on December 31.

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

(2) Recording currency

The recording currency is the prevailing currency of the primary economic environment in which business of the Group operated. The Group chooses RMB as its recording currency. The financial statements of the Group are presented in RMB.

(3) Accounting treatment of business combinations

Business combination refers to a transaction or event bringing together two or more separate entities into one. Business combinations are classified into the business combinations under common control and not under common control.

(a) The business combinations involving entities under common control

A business combination under common control is a business combination in which all of the combined 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 power over the other combined entity on the combining date is the acquirer and the other combined entity is the acquiree. The "acquisition date" refers to the date on which the combining party actually obtains control power over the combined party.

The assets and liabilities that the combining party obtained in a business combination are measured on the basis of their carrying value in the combined party on the combining date. The difference between the carrying value of the net assets obtained from the combination and the carrying amount of the consideration paid (or the total par value of the shares issued) for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

The direct cost occurred in the business combination is recorded into the profit or loss in the current period when they actually occurred.

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

(3) Accounting treatment of business combinations *(Continued)*

(b) The business combinations not under common control

A business combination not under common control is a business combination in which the combined entities are ultimately controlled by the same party or the same parties neither before nor after the business combination. In a business combination not under common control, the party which obtains the control power over the other combined entities at the purchase date is the acquirer, and other combined entity is the acquiree. The "acquisition date" refers to the date on which the acquirer actually obtains the control power over the acquiree.

For business combinations not under common control, the combination cost is the assets paid, liabilities incurred or assumed and the equity securities issued by the acquirer, at fair value at the acquisition date, in exchange for the control power over the acquiree. The direct cost, of the business combination including the expenses for audit, legal service, valuation and other administrative expenses, is recorded into the profit or loss in the current period. Transaction expenses of the issued equity securities or liability securities for the consideration are recorded into the amount of initial measurement of the equity securities or liability securities. The relevant contingent consideration is recorded into the combination costs at its fair value at the acquisition date, and the goodwill is adjusted if the new or additional evidences of adjustment to contingent considerations emerged within 12 months from the acquisition date.

The cost of combination and identifiable net assets obtained by the acquirer in a business combination is measured at fair value at the acquisition date. If the cost of combination exceeds the fair value of the acquirer's share in the identifiable net assets, the difference is recognized as goodwill; if the cost of combination is lower than the fair value of the acquirer's share in the identifiable net assets, the acquirer shall firstly review the measurement of the fair value 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 lower than the fair value of the identifiable net assets obtained, the acquirer shall recognize the difference as the profit or loss in the current period.

(4) Methods for preparation of consolidated financial statements

(a) Recognition principle of consolidated scope

The scope of consolidation of consolidated financial statements is ascertained on the basis of effective control. Control is the right to govern the financial and operating policies of an entity so as to obtain benefits from all operating activities of investees. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to enterprises or entities regulated by the Company.

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

(4) Methods for preparation of consolidated financial statements *(Continued)*

(b) Preparation of consolidated financial statements

Subsidiaries are consolidated from the date on which the Group obtains control power over the net assets and the right to govern financial and operating policies of the subsidiaries, and are de-consolidated while the power and right are terminated. For the disposed subsidiary, financial performance and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; the opening balances of the consolidated balance sheet shall not be adjusted due to the disposal. For the subsidiary acquired from business combination not under common control, its financial performance and cash flows after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statement, and the opening balances of the consolidated financial statements and comparable data of prior year shall not be adjusted due to this combination. For the subsidiary acquired from business combinations under common control, its financial performance and cash flow from the beginning of the reporting period to combination date have been properly included in the consolidated income statement and consolidated cash flow statement, and the comparable data of the consolidated financial statement shall be adjusted simultaneously.

In preparing the consolidated financial statements, where the accounting policy or accounting period of the Company and subsidiaries is inconsistent, the financial statements of subsidiaries shall be adjusted in accordance with the accounting policies and accounting period of the Company. For the subsidiaries acquired from the business combination not under common control, financial statements of the subsidiaries shall be adjusted based on the fair value of identifiable net assets on acquisition date.

All significant intra-group balances, transactions and unrealized profits shall be eliminated in the consolidated financial statements.

The portion of a subsidiary's equity and the net profit or loss that is not attributable to the Company, shall be recognized as "Minority Interest" and "profit and loss of Minority", and presented on the consolidated financial statements under the owners' equity and the net profit or loss respectively. The portion of subsidiary's net profit or loss for the period attributable to minority interest is presented in the consolidated income statement below the "net profits" as "Minority Interests". Where the amount of the losses for the current period attributed to minority's shareholders of the subsidiary exceeds the minority shareholders' portion of the opening owners' equity of the subsidiary, the amount in excess shall be presented as minority interests.

(5) Recognition standard for cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and highly liquid short-term (within 3 months from the purchase date) investments that are readily convertible to known amounts of cash, and which are subject to insignificant 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 the middle rate 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

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

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

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 or loss at the current period or other comprehensive income and recorded into the capital reserve.

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

(7) Financial instruments

- (a) Fair value measurement of the financial assets and financial 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 a fair trade. If there is a dynamic market for a financial asset or financial liability, the quoted price in the dynamic market shall be taken as the fair value of the financial asset or financial liability. The quoted prices in the dynamic market refer to the prices, which are easily obtained from the stock exchanges, brokers, industry associations, pricing service institutions and etc., and the prices represent the actual dealing prices under fair conditions.

If no dynamic market exists for a financial instrument, a valuation technique is adopted to establish the fair value. The Group chooses valuation technique to determine the fair value of its financial assets and financial liabilities, which include adopting the latest arm's length market transaction price between knowledgeable and willing parties, and the current fair value of other instruments that are substantially equivalent, and discounted cash flows method and option pricing model and etc.

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

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

- (i) Financial assets at fair value through profit or loss

Including financial assets held for trading and those designedly measured at fair value through profit or loss.

Financial assets meeting any of the following requirements shall be classified as financial assets held for trading

- (1) The purpose of acquiring the financial assets is principally 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 demonstrate 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, recognition and measurement of financial assets, *(Continued)*

(i) Financial assets at fair value through profit or loss *(Continued)*

- (3) A derivative instrument, other than the derivative designated as effective hedging instrument, or financial guarantee contracts or derivatives connected to equity instrument and must be settled by issuing equity instrument for which there is no quoted price in the dynamic market, and its fair value cannot be reliably measured.

The financial assets meeting any of the following requirements shall be designedly measured at fair value through profit and loss.

- (1) The designation shall eliminate or significantly narrow the discrepancy in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;
- (2) The official written documents on risk management or investment strategy of the Group show that the combination of said financial assets or said financial assets and financial liabilities will be managed and evaluated on the basis of fair value and be reported to the key management staff.

Financial assets measured at fair values through profit or loss shall be subsequently measured at their fair values, with the gains or losses from the variation of fair value and related dividends and interest income recorded into the current profit or loss.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable recoverable amount and fixed maturity, and the Group has the definite intention and ability to keep to maturity.

Held-to-maturity investments 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 incorporated into 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 the end of each period with effective interest rate 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 designed term into the current carrying value of the financial asset or financial liability.

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

(7) Financial instruments *(Continued)*

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

(ii) Held-to-maturity investments *(Continued)*

To determine the effective interest rate, the future cash flow shall be predicted in consideration of all the contractual provisions regarding the financial asset or financial liability (other than future credit losses), and the various fee charged, trading expenses paid or received by the parties of a financial asset or financial liability contract, and premiums or discounts, which form a part of the effective interest rate.

(iii) Loans and accounts receivable

Loans and accounts receivable refer to the non-derivative financial assets without the quoted price in the dynamic market, of which the amount receivable is fixed or determinable. The Group's financial assets are classified into loan and receivables including 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 incorporated in the current profit or loss.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which designed at initial recognition, and those financial assets other than financial asset held for trading and loan and receivables and held to maturity investment.

Available-for-sale financial assets shall be subsequently measured at fair value. The gains and losses arising from the variation in the fair value are recognized as comprehensive income and recorded into the capital surplus with the exception that the impairment losses and the foreign exchange gain or loss arising from amortized cost of foreign monetary assets shall be recorded into profit or loss. Cumulative gains and losses previously recorded into capital surplus shall be transferred to profit or loss while the available-for-sale financial assets are derecognized.

Interest and the cash dividend declared by investee shall be recorded into the profit and loss as investment income while holding available-for-sale financial assets.

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

(7) Financial instruments *(Continued)*

(c) Impairment of financial assets

The Group shall assess the carrying value of financial assets on the balance sheet date other than those measured at fair value through profit or loss. Impairment should be made while there is any objective evidence demonstrates that a financial asset is impaired.

Impairment test shall be made to the financial assets with significant single amounts. For financial assets with insignificant single amounts, impairment test could be made independently or collectively in a combination with those possessing analogous credit features. Financial assets (including significant single amount and in significant single amount) with no impairment loss upon independent impairment test shall be combined with those possessing analogous credit features, and collectively made impairment test again. Financial assets with impairment loss made by independent impairment test shall not be incorporated in any combination of financial assets possessing analogous risk features for an impairment test.

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

The impairment loss, of financial asset measured purchasing cost or amortized cost, is the excess of its carrying value over the present value of the estimated future cash flows, and shall be recorded into the profit or loss for the current period.

For impaired financial assets, if there is any objective evidence demonstrates that the value of the said financial asset has been restored, and it is objectively related to subsequent events, the impairment losses originally recognized shall be reversed and recorded into the profit and loss for the current period. However, reversed carrying value shall not exceed the amortized cost of the said financial asset on the assumption that the impairment was not made.

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

There is an indication that impairment loss of available-for-sale financial asset occurs while fair value of the available-for-sale equity instrument fall significantly and non-temporarily. Significant fall means the aggregated shrinkage of fair value is over 20%-50% of its purchasing cost, and non-temporary fall means continuous fall over 12 months.

Where such financial asset impaired, the accumulated losses, arisen from the decrease of the fair value and previously recorded into the capital surplus, shall be transferred to the profit and loss for the current period. The amount transferred out are the balance of initial acquisition costs of the said financial asset after deducting the principals withdrawn and amortization, and the current fair value and the impairment loss previously recorded into the profit and loss.

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 assets *(Continued)*

Impairment loss previously recognized shall be reversed, if there is any objective evidence demonstrates that the shrinkage of fair value has been restored, and was objectively related to subsequent events. Reversed impairment loss of available-for-sale equity instrument shall be recognized as comprehensive income while debt instrument as profit or loss for the current year.

The impairment loss, of equity instrument without the quoted price in the dynamic market and cannot be reliably measured, or derivatives derived from the said equity instrument and settled by issuing the said equity instrument, shall not be reversed.

(d) Recognition and measurement for transfer of financial assets

A financial asset is derecognized when any of the below criteria is satisfied:

- (1) The contractual rights to receive the cash flows from the financial asset are terminated
- (2) The financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee.
- (3) The financial asset has been transferred and the Group has given up upon the control of the financial asset, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of a financial asset.

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 in the value of the financial asset.

If the transfer of an entire financial asset meets the conditions for de-recognition, the difference between the carrying value of the transferred financial asset and the sum of consideration received and the accumulated variation in fair value previously recorded into the other comprehensive income, shall be recorded into current profit or loss.

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 by fair value, and the difference between the carrying value of the transferred financial asset and the sum of consideration received and the accumulated variation in fair value previously recorded into other comprehensive income, shall be recorded into current profit and loss.

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

(7) Financial instruments *(Continued)*

(e) Classification and Measurement of financial liabilities

Financial liability is classified into the financial liability measured at fair value through profit or loss and other financial liability for initial recognition:

The financial liability is initially measured at fair value. For financial liability measured at fair values through profit or loss, transaction expenses thereof are directly recorded into profit and loss for the current period. For other financial liabilities, the transaction expense thereof is integrated with the initially recognized amount.

(i) Financial liability measured at their fair value through profit or loss.

Classification condition of financial liability held for trading and designated a financial liability at their fair values through profit or loss is the same as that of financial asset held for trading and designated financial asset at fair values through profit or loss.

Financial liability at fair value through profit or loss is subsequently measured at fair value. The variation in the fair value and the interest or cash dividend received in the period is recorded into the profit and loss for the current period.

(ii) Other financial liability

Financial liability, derived from equity instrument without the quoted price in a dynamic market, and its fair value could not be reliably measured, and settled by issuing equity instrument, is subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost with effective rate. The gains or losses resulting from de-recognition or amortization shall be recorded into the profit and loss for the current period.

(f) De-recognition of financial liabilities

While prevailing obligations of financial liability is relieved entirely or partially, the financial liability shall be derecognized accordingly. If a substantially different agreement was signed to replace the existing one from which the existing financial liability originated, the existing financial liability shall be derecognized and the financial liability arising from the newly signed agreement shall be recognized.

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

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

(8) Receivables

Receivables include accounts receivable and other receivables, etc.

(a) Recognition standards for bad debts

On the balance sheet date, the carrying value of receivables shall be reviewed and impairment provision shall be made where there is any objective evidence demonstrates that impairment actually occurs.

(i) serious financial difficulty occurs to the debtor; (ii) The debtor breaches any of the contractual 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 other financial reorganizations; (iv) Other objective evidence indicating that such receivable has been impaired.

(b) Measurement bad debt provisions

Where there is any objective evidence indicates that it is difficult for the Group to recover account receivables under the contract terms, the account receivable is subject to impairment test independently and the difference between the carrying value and the present value of the expected future cash flow originated from the account receivable shall be recognized as bad debt allowance, and the impairment loss shall be recorded into profit or loss for the current year.

(c) The Company defines an account receivable equivalent to or above RMB 30 million as individually significant account receivable, and other receivable RMB 10 million.

(d) Reversal of bad debt provisions

If objective evidence demonstrates that the value of receivables is recovered owing to subsequent events, impairment loss previously recognized shall be reversed and recorded into current profit and loss. The carrying value after reversal shall not exceed the amortized cost on the assumption that no impairment loss was made previously.

(9) Inventories

(a) Category

The inventories of the Group comprise raw material, work in progress, finished goods, turnover materials, spare parts, materials in transit, and outsourced materials etc.

(b) Pricing of inventories

Inventories are initially measured by actual cost, which consists of purchase price, processing cost and other costs. Inventories are measured by either the weighted average method, specific-unit-cost method or other method while requisitioned or delivered.

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. Net realizable value of inventories is on the basis of reliable evidence obtained and in consideration of the purpose for holding inventories and the effects of subsequent events.

On the balance sheet date, the inventory is measured at the lower of cost and net realizable value and a provision for impairment shall be made while the cost of inventories is higher than the net realizable value. Provision for impairment of inventory shall be incurred independently except that impairment of spare parts according to the actual situation and the estimation of the management.

If factors once result in impairment disappeared and the net realizable value exceeds the carrying value, the write-down shall be reversed from the provision to the extent of provision previously made and recorded into profit and loss for the current year.

- (d) Physical inventory at fixed periods is taken under perpetual inventory system
- (e) Amortization of reusable materials

Reusable materials such as low-value consumables, packaging materials and other consumables shall be amortized by lump-sum, workload or installment according to their nature. Amount of amortization shall be recorded into the cost of the relevant assets or profit or loss for the current period.

(10) Long-term equity investment

- (a) Determination of investment cost

Initial cost of long-term equity investment obtained by business combination under common control, shall be measured by the share of carrying value of the owner's equity of the acquired entity at purchasing date, while not under common control shall be measured by the sum of the fair value of assets transferred, and the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control power 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 consideration for combination, shall be recorded into the initial cost of the equity securities or liability securities.

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

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

(a) Determination of investment cost *(Continued)*

For long-term equity investment other than those obtained by business combination, initial cost of other long-term equity investment shall be respectively 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, and etc.

Expenses directly relevant to acquisition and taxes and other necessary expense shall be integrated with the initial recognition cost of long-term equity investment.

(b) Subsequent measurement and recognition method of gains and losses

Long-term equity investments, which have no joint control or significant influence over invested entities, and for which there is no quoted price offered in the dynamic market and whose fair value cannot be reliably measured, shall be accounted by cost method, while Long-term equity investments with joint control or significant influence over invested entities by equity method. Long-term equity investments without control, joint control or significant influence over invested entities and the quoted price in the dynamic market or whose fair value can be reliably measured, shall be recognized as available-for-sale financial assets

Besides, long-term equity investment shall be measured by the cost method if the Group has control power over the invested entity.

(i) Long-term equity investments accounted by cost method

Long-term equity investment accounted by cost method shall be measured at the initial investment cost. Investment income shall be recognized according to dividends or profits declared by the investee except those withdrawal of investment and recovery of dividends or profits declared previous year.

(ii) Long-term equity investments accounted by equity method

In equity method, if the initial cost of a long-term equity investment exceeds the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, Initial cost of the long-term equity investment shall not be adjusted, and if the initial cost of a long-term equity investment lower than the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, the difference shall be recorded into profit and loss for the current year, 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 investment *(Continued)*

(b) Subsequent measurement and recognition method of gains and losses
(Continued)

(ii) Long-term equity investments accounted by equity method *(Continued)*

In equity method, the investment income or loss is recognized in accordance with the proportion of the net profits or losses of the invested entity attributable to the investor. Profits or losses of the invested entity shall be adjusted, on the basis of the fair value of all identifiable assets of the invested entity at the acquisition date and to abide by the accounting policies and accounting periods adopted by the investor. All inter-Group unrealized profits with the jointly ventures and associates attributable to the Group shall be eliminated while recognizing the investment income, however, if the unrealized inter-Group loss constitutes impairment of the transferred assets under Enterprise Accounting Standards No.8-Impairment of Assets, the provision for impairment shall not be eliminated. For other comprehensive income of the invested entity, the carrying value of the long-term equity investment shall be adjusted accordingly and be recorded into other comprehensive income as capital reserves.

The investor shall recognize the net losses of the invested entity to the extent of the sum of the carrying value of the long-term equity investment and other long-term rights and interests which substantially form a long term equity investment. Furthermore, if an investor has an obligation to assume extra losses, the extra obligation shall be recognized as contingent liability and be recorded into investment loss accordingly. If the invested entity realizes any net profits in the subsequent periods, the investor shall not recognize investment income until extra loss assumed has been restored.

(iii) Acquisition of minority interests

While preparing consolidated financial statements, the difference, between the increase in the cost of long-term equity investments as a result of acquisition of minority interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion, shall be offset by capital surplus. If the capital surplus is not sufficient to compensate for the difference, the rest shall be offset by retained earnings.

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

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

- (b) Subsequent measurement and recognition method of gains and losses
(Continued)

- (iv) Disposal of long-term equity investments

In consolidated financial statements, when the parent company disposes part of the investment in subsidiary without losing control power, the difference between the consideration received and the carrying value of net asset disposed shall be recognized in equity, while losing control power of subsidiary due to disposal, the relevant terms in Note. 4 (b) shall be applicable.

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

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

Control power means that the investor has rights to determine the financial and operational policies of invested entity and to obtain benefits from its operating activities. Joint control, derived from contracts and agreements, only exists while all investors consent on the financial and operational policies of the invested entity. Significant influence means that the investor is able to join the financial and operational policy making, but to control or joint control with other investors. While judge 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 some other factors such as potential voting rights.

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

On the balance sheet date, the Group shall review that whether any evidences that indicate the long-term equity investment has been impaired exist or not. If there are signs 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 an impairment loss in the profit and loss, and cannot be reversed during the subsequent accounting period.

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

(11) Fixed assets

(a) Recognition

Fixed assets refer to the tangible assets held by the Group for producing goods, rendering service, renting or operation and administration purpose with useful lives over 1 year.

(b) Depreciation method of fixed assets

Fixed asset is initially measured at the purchasing cost taking into consideration disposal obligation. From the next month since fixed asset meets expected conditions for normal use, fixed assets are depreciated by the straight-line method over their estimated useful life. The useful life, residual rate for each category of fixed assets is listed as follows:

Category of fixed assets	Useful life	Estimate residual rate (%)
Plants and buildings	40 years	3-5
Machinery and equipment	12-19 years	3-5
Other fixed assets	5-10 years	3-5

Estimate residual value refers to the expected disposal proceeds after compensated estimated disposal expenses while the asset is worn out or retired.

(c) Impairment test and provision incur

Test and measurement of impairment provision of fixed assets, refer to Note 15.

(d) The recognition criteria and measurement of fixed asset by financial lease

Finance lease refers to a lease, 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. Leased asset shall be recognized and depreciated in the same way according to comparative asset owned by the lessee. Leased asset shall be fully depreciated over its useful life if it is reasonably certain that the lessee will obtain ownership of the leased asset while the lease term expires, if not, depreciated over the shorter of the lease term and its useful life.

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

(11) Fixed assets *(Continued)*

(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 and the carrying value of replaced parts shall be derecognized. Subsequent expenditures excluding fore-mentioned shall be recorded into current profit and loss.

The proceeds, from fixed asset disposed, transferred, discarded or destroyed, shall be recorded into current profit and loss after deducting carrying value and relevant taxes.

Significant changes of useful life or residual value or depreciation method of fixed asset shall be considered as changes in accounting estimation.

(12) Construction in progress

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

Method of impairment test and measurement of the provision of construction in progress, refer to 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 be capitalized while the capital expenditure and borrowing cost has already occurred and the acquisition, construction or production activities necessary to satisfy intended use or get ready for sale have already started.

Capitalization of borrowing costs shall be ceased while the qualified for capitalization asset under acquisition and construction or production is ready for its intended use or sale, and other borrowing costs shall be recognized into the current profit and loss while occurred.

The interests of special borrowings shall be capitalized after deducted the interests or investment income derived from 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, while general borrowings into the current profit and loss.

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 get ready for intended use or be 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

Intangible asset refers to the identifiable non-monetary asset with no physical form, possessed or controlled by the Group.

Intangible asset shall be initially measured at its cost. Subsequent expenditure relevant to an intangible asset shall be recorded into the cost of an intangible asset, 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 except mentioned before for an intangible item shall be recorded into the profit or loss for the current period.

Land use right is usually recognized as an intangible asset. For self-constructed plants and buildings, the expenditure on land use right and the cost of constructions shall be recognized 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, and if it is impossible to be allocated, all the relevant cost shall be recognized as fixed assets.

The original value of an intangible asset with a definite useful life shall be amortized by the straight-line method over its useful life after deducting estimate residual value and impairment provision, while intangible assets with indefinite useful life shall not be amortized.

Significant change of useful life and amortization method shall be taken as a change in accounting estimation after reviewing the useful life and the amortization method of intangible assets with definite useful life. After reviewing useful life and economic benefits inflow term of an intangible asset with an indefinite useful life, if the latter is predictable, intangible asset with an indefinite useful life shall be amortized according to policies applying to an intangible asset with a definite useful life.

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

(14) Intangible assets *(Continued)*

(b) Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure on research phase and expenditure on development phase. Research expenditure shall be recorded into current profits and losses while development expenditure is capitalized as intangible assets if the following conditions were met.

- (i) It is technically feasible to get the intangible asset ready for intended use or for sale
- (ii) It is intended to get the intangible asset ready for use or sale;
- (iii) The intangible asset could be sold out in prevailing market with profit or be applied to production for well selling products, and could be proven useful for internal use.
- (iv) It is technically and financially capable of completing the development of the intangible asset, and capable of using or selling such intangible asset.
- (v) Development expenditure attributed to the intangible asset could be reliably measured.

While it is difficult to distinguish research phase from the development phase, all expenditure shall be recorded into current profit or loss.

(c) Method of impairment test and measurement of impairment provision

Impairment test and measurement of intangible assets refer to Note 15.

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

Non-financial and non-current assets, such as fixed assets, construction in progress, intangible assets with definite useful life, and long-term equity investments in subsidiaries and joint ventures and associations, judgment shall be made on the balance sheet date, to ensure whether there is any evidence of possible impairment of the assets. If there is, the recoverable amount of the assets shall be estimated and an impairment test shall be conducted. Whether an indication of impairment occurred or not, goodwill and intangible asset with indefinite useful life and intangible asset not ready for 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 an asset deducted 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 agreement, and if there is no selling agreement but a dynamic market exists, the fair value shall be determined according to a bid from a buyer. If there is neither a selling contract nor a dynamic market, the fair value of an asset shall be estimated based on maximum information available.

The disposal expenses shall include the relevant legal expenses, relevant taxes, transport expenses as well as the direct expenses to get the asset ready for sale. The present value of expected future cash flow of an asset shall be established 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 asset shall be integrated into an asset group and impairment shall be carried out by the asset group. Asset group refers to minimum group of asset which can generate cash flow independently.

Once impairment loss is recognized, it could not be reversed in future accounting periods.

(16) Projected liability

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

(i) The Group has a practical obligation as a result of the past event; (ii) probable economic benefit will flow out to settle the obligation and; (iii) the obligation could be measured reliably.

On the balance sheet date, projected liability shall be initially measured at reasonably estimated necessary expenditure for settling the obligation, taking into account the risk and uncertainty and time value of money and other factors related to the contingent event.

If the expenditure necessary for the settlement of an obligation is expected to be reimbursed entirely or partially by a third party, the reimbursement shall be separately recognized as an asset only under the circumstance that it is virtually certain that reimbursement will be received, and shall not exceed the amount of the provision incurred previously.

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

(17) Revenue

(a) Revenue from sale of goods

The revenue from selling goods is recognized when the following conditions are satisfied simultaneously:

(i) The major risks and rewards of ownership of the goods have been transferred to the buyer; (ii) The Group retains neither continuing managerial involvement usually associated with the ownership nor effective control over the goods sold; (iii) Revenue could be measured reliably; (iv) It is probable that economic benefit will flow into the Group; (v) Cost occurred or will occur relevant to the transaction could be measured reliably.

Revenue from sale of goods shall be measured based on money received or receivable by contract or agreement.

(b) Revenue from services rendering

If the economic benefit inflow of service rendering could be estimated reliably, revenue from service rendering shall be recorded into the income statement by proportion of service rendering.

While the following criteria are satisfied simultaneously, the economic benefit inflow of service rendering could be estimated reliably. (i) revenue could be measured reliably; (ii) relevant economic benefit is likely to flow into the entity; (iii) progress rate could be measured reliably; (iv) cost occurred or will occur related to the transaction could be measured reliably.

If the economic benefit inflow of services rendering could not be estimated reliably, revenue shall be measured at recoverable cost and cost occurred shall be recorded into the current loss. If cost occurred could not be recovered, no revenue from service rendering shall be recognized.

While a contract or agreement involving goods selling and service rendering, if goods selling and service rendering could be separated, revenue shall be calculated respectively, and if not or could not be measured separately, all contract revenue shall be taken as goods selling revenue.

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

(17) Revenue *(Continued)*

(c) Royalty revenue

Royalties shall be measured by accrual basis in accordance with the substance of the relevant contract or agreement.

(d) Interest revenue

Interest revenue shall be determined in light of the loan term by the effective interest rate.

(18) Government grants

Government grant is the gratuitous monetary asset or non-monetary asset received from the government, excluding the capital injected by the government as an investor. Government grant is classified into government grant pertinent to assets and government grants pertinent to income.

Government grant, designed to purchase or construct or form long-term assets, shall be recognized as a government grant pertinent to assets while others classified into government grants pertinent to income. Government grant received without clear objective shall be categorized according to following rules: (i) government grant subject to a certain project shall be separated according to the proportion of expenditure budget and capitalization budget, and the proportion shall be reviewed and modified if necessary on the balance sheet date; (ii) government grant shall be categorized as pertinent to income if its usage is just subject to general statement but specific project in relevant document.

A government grant of monetary asset shall be measured at the amount received or receivable while government grant of non-monetary asset at fair value. If fair value cannot be obtained in a reliable way, government grant of a non-monetary asset shall be measured at its nominal amount and recorded into profit and loss for the current year accordingly.

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

(18) Government grants *(Continued)*

Government grant shall be recognized while received and be measured at the amount received. If there concrete evidence demonstrates that relevant monetary or non-monetary assets are likely to be received in terms of fiscal supporting policy, government grant shall be measured at the receivable amount. Generally, government grant shall be measured at receivable amount while all the following conditions are satisfied simultaneously:

- (i) Receivable amount shall be confirmed by the documents issued by relevant government departments, or be reasonably calculated according to relevant document without significant uncertainty;
- (ii) The fiscal Funds Management Regulations, which will be of benefit to any enterprise but designed enterprise, are formally published according to the Regulations on Government Information Disclosure, and fiscal support projects are initiatively disclosed.
- (iii) It is reasonable assure that government grant, scheduled in the relevant government documents and guaranteed by the fiscal budget, could be received on schedule.

Government grant pertinent to assets shall be initially recognized as deferred income and amortized into profit and loss on a straight-line basis over the useful life of the relevant asset. Government grant pertinent to income, designed to compensate future expenses or loss in subsequent periods, shall be initially recognized as deferred income and recorded to profit and loss in subsequent periods while relevant expenses occur or loss incurs.

If recognized government grant need be returned, the balance of relevant government grant shall be returned first and the shortage shall be recorded into current profit and loss.

(19) Deferred income tax asset and liability

- (a) Current 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 in terms of the tax law. Current income tax shall be calculated based on the taxable income resulted from accounting profit before tax adjusted in terms of the relevant tax law and regulations.

- (b) Deferred income tax asset and liability

Deferred income tax asset and liability are calculated on the base of temporary difference between the carrying amount of the relevant asset and liability, and the amount by the relevant tax law and regulations by liability method.

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

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

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

If deductible temporary difference relate to initial recognition of good will, and not result from business combination and relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, relevant deferred income tax asset shall not be recognized. Moreover, for taxable temporary difference related to investment to subsidiaries, associates and joint ventures, if the group is able to schedule the reversal of temporary difference which is unlikely to be reversed in the excepted future. Except above-mentioned, deferred income tax liability resulted from any other taxable temporary difference shall be recognized

If deductible temporary difference relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, or not result from business combination, relevant deferred income tax asset shall not be recognized. Moreover, for deductible temporary difference related to investment to subsidiaries, associates and joint ventures, if the temporary difference is unlikely to be reversed in the foreseeable future or to be compensated by future taxable income, deferred income tax asset shall not be recognized. Except the above-mentioned, deferred income tax asset resulted from any other deductible temporary difference shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate a deductible temporary difference.

As for deductible loss or tax deduction that can be carried forward to next year, the corresponding deferred tax assets shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate deductible loss and tax payable.

On the balance sheet date, the deferred tax asset and liability shall be calculated by the tax rate applicable to the period during which the asset is expected to be recovered or the obligation is expected to be settled. After reviewed the carrying value of deferred tax asset, the carrying value of the deferred tax assets shall be written-down if future taxable income is not sufficient to compensate benefit from deferred income tax asset, and if sufficient, the written-down shall be reversed.

(c) Income tax expenses

Income tax expenses comprise current income tax expense and deferred income tax expense.

The current income tax and deferred income tax, associated with the transaction recorded into other comprehensive income or shareholder's equity, shall be recorded into other comprehensive income or shareholder's equity, while resulted from a business combination shall be taken as a adjustment to goodwill. Income taxes and deferred taxes except mentioned before shall be recorded into current profit and loss.

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

(20) Leases

Financial lease refers 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. Operational lease refers to a lease other than a financial lease.

(a) Operational lease to a lessee

Rental for operational lease shall be recorded into the relevant asset cost or the profit or loss for the current period by a straight-line approach over the lease term. Initial direct cost occurred shall be recorded into the profit and loss for the current period while contingent rental shall be recorded into profit or loss when actually occur.

(b) Operational lease to a lessor

Rental received from operational lease shall be recorded in the profit and loss for the current period by a straight-line approach over the lease term. Initial direct significant cost occurred shall be capitalized when actually occur, and subsequently recorded into the profit and loss according to the way, by which the rental recorded into profit or loss. Contingent rental shall be recorded into profit and loss in when actually occur.

(c) Finance lease to a lessee

At the commencement of lease term, leased asset shall be measured at the lower of the fair value and the present value of the minimum lease payment, and the minimum lease payment shall be recognized as a long-term liability, and the difference shall be recognized as unrecognized finance charge. Moreover, initial direct cost attribute to lease the project and relate to negotiation and agreement signing shall be recorded into the leased asset cost. Minimum lease payment deducted by unrecognized finance charge shall be separately listed as long-term liability or long-term obligation due within one year according to its due term.

Unrecognized finance charge shall be amortized with the effective interest rate, and contingent rental shall be recorded into profit and loss while occur.

(d) Finance lease as a lessor

At the commencement of lease term, finance lease receivable shall be measured at the sum of minimum lease receipts and initial direct cost, risk exposure shall be recorded simultaneously, and unrealized finance income shall be measured at the difference between the sum of minimum finance lease receipt and initial direct expenditure and risk exposure, and its present value. Finance lease receivable deducted by unrealized finance income shall be separately listed as long-term receivable and long-term receivable due within one year according to its due term.

Unrecognized finance income shall be amortized with the effective interest rate, and contingent rental shall be recorded into profit and loss while occur.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(21) Employee benefits

Employee benefit payable shall be recognized as a liability in the accounting period during service rendering period.

The Group shall join the social security system set up by the government, which includes pension, medical insurance, housing fund and other social safety system. Corresponding expenditure shall be recorded into the related asset cost or the profit and loss while occur.

Compensation shall be recognized as provision and recorded into profit and loss accordingly in order to terminate labor contract before maturity or to encourage employee to support strategic down-size, if the labor contract could not be canceled unilaterally, and the contingent liability arising from compensation shall be recorded into current profit and loss accordingly,

The intra-group applied a retirement plan shall be accounted in terms of above-mentioned principal. Salary and social insurance paid to intra-group applied retirement plan shall be recorded into current profit and loss from the commencement of the plan to the normal retirement date, if relevant expenditure to the plan satisfies the recognition criteria of contingent liability.

(22) Changes of significant accounting policies and estimates

- (a) There are no changes in accounting policy for the current year.
- (b) Changes in accounting estimate are stated as follows.

It is approved by the 39th meeting of the 5th session of board of directors that useful life of fixed asset shall be adjusted since Jan. 1, 2013 after reviewed the actual condition by relevant department.

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%

The change of accounting estimate posed no effect on the business scope of the Group, but led to a decrease of RMB1, 200 million in the depreciation of fixed assets, and an increase of RMB 900 million in the shareholders' equity and net profit of the Company in 2013 accordingly.

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

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

- (c) The comparative financial statements were adjusted retrospectively due to asset swap between the company and Angang Group International Trade Corporation under the common control of Angang Group according to Enterprise Accounting Standards.

After the adjustment, shareholders' equity attributable to shareholders of parent company at the beginning of 2012 and 2013 increased by RMB 818 million and RMB 760 million respectively, and net profit attributable to the parent company increased by RMB 132 million in 2012.

Items	Share capital	Capital reserve	Special reserve	Surplus reserves	Undistributed profits
Adjustment at the beginning of 2012		615		9	194
Adjustment in 2012				1	(59)
1. Net profit					132
2. The extraction of surplus reserves				1	(1)
3. Others					(190)
Adjustment at the beginning of 2013		615		10	135

Items	Subtotal of Shareholders' equity attributable to shareholders of parent company	Minority interests	Total shareholders' equity
Adjustment at the beginning of 2012	818	48	866
Adjustment in 2012	(58)	(4)	(62)
1. Net profit	132	(4)	128
2. The extraction of surplus reserves			
3. other	(190)		(190)
Adjust the amount in early 2013	760	44	804

(23) Correction of prior year errors

No correction of prior year errors needs to be disclosed for the current year.

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

(24) Significant accounting judgment and estimate

Judgments, estimates and assumptions shall be made to financial reporting items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. These judgments, estimates and assumptions, which will influence the amount of revenue, expenses, assets and liabilities presented in financial reports and the disclosure of contingency on the balance sheet date, shall be made on the basis of historical experience of the management after taking some other relevant factors into consideration. However, the outcome results from the uncertainties of the estimates will possibly lead to significant adjustments against the carrying value of the assets and liabilities affected in the future.

The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only influence the current period, relevant adjustment due to the effect shall be recognized in the current period; otherwise, relevant adjustment due to effect shall be recognized in the current and future period.

On the balance sheet date, the significant fields involving judgments, estimates and assumptions about financial report items are listed as follows:

(a) Provision for bad debts

The allowance method is adopted for bad debts according to accounting policies of trade receivables. Impairment losses for receivables are assessed on the basis of recoverability, as a result of judgments and estimates of the management. The difference between actual outcome and the previously estimated outcome will influence the carrying value of receivables and accrual or reversal of provision for bad debts during the period accounting estimates are changed.

(b) Write-down of inventories

Inventories are measured by lower of historical cost or net realizable value method according to the accounting policies of inventories; for obsolete and unsalable inventories or whose historical costs are higher than net realizable, provision for write-down of inventories shall be incurred.

The carrying value of inventory shall be written down to the net realizable value on the basis of the salability of inventories and the net realizable value. Inventory write down shall be incurred in consideration of solid evidence and the purpose of holding inventories and the effect of subsequent events and etc.

The difference between actual outcome and the previously estimated outcome will influence the carrying value of inventories and accrual or reversal of provision for write-down of inventories during the period accounting estimates are changed.

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

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

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

To available-for-sale financial asset, whether impairment loss shall be recognized in income statement significantly depends on the judgments and assumptions of the management. While making judgments and assumptions, it shall be take into consideration that projection t how much the fair value of the investment is lower than the cost, due term, and financial position, short-term business projection, which include industry conditions, technological innovation, the credit ratings, probability of violation, and counterparts' risks.

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

On the balance sheet date, the Group shall judge whether there is any possible indication of impairment against non-financial non-current assets. The intangible assets with indefinite useful life must be tested for impairment on an annual basis as well as when there is any indication of impairment. Other non-financial non-current assets shall be tested for impairment when there is an indication showing that the carrying value is not recoverable.

Impairment occurs while the carrying value of an asset or asset group is higher than the recoverable value, which is the higher of its fair value deducted disposal expenses and the present value of expected future cash flow.

The fair value deducted by disposal expenditure is determined in consideration that sale agreement regarding analogous asset, and approachable market price and relevant dispose expenditures.

Significant judgments regarding the production amount, sales price, relevant operating costs of the assets (or assets group) and the discount rate used to calculate the present value shall be made, while determining the present value of future cash flows. Recoverable amount shall be estimated by using all accessible relevant information, including production amount, sales price, and relevant operating costs predictions made 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 by a straight-line approach over their estimated useful lives by taking the residual value into consideration. Useful life shall be periodically reviewed to determine the depreciation and amortization expenses for each reporting period and be determined on the basis of historical experience regarding analogous assets and the expected technological innovation. Significant changes to previous accounting estimates will result in adjustments against depreciation and amortization expenses in the future periods.

(f) Deferred tax assets

Deferred tax asset is recognized for all the uncompensated tax losses to the extent of the amount of deductible taxable income. In order to determine the amount of deferred tax assets, the management needs to predict the timing and the amount of taxable profits in the future by taking into account the influence of tax planning.

(g) Income tax

In normal operating activities, there are some uncertainties of final tax treatment and calculation of certain transactions, which shall be approved by the tax authority. If the actual results of the tax issues differ from initially estimated amount, such differences will influence the current tax expenses and deferred tax expenses in the final identified period.

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

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

- (h) Early retirement pension plan and supplementary social pension plan

Expense and liability resulted from early retirement pension plan and supplementary social pension plan are determined based on a variety of assumptions, including the discount rate, the growth rate of average medical cost, the growth rate of retired employees' subsidies and other factors. Differences between actual and estimated results will be recognized accordingly as current expense. Although management believes that the assumptions are reasonable, the changes in actual empirical value and assumptions will affect the amount of expenses and the balance of liabilities of early retirement pension plan and supplementary social pension plan.

- (i) Projected liability

Provision for product quality guarantee, estimated onerous contracts, and delay delivery penalties shall be recognized in terms of contract, current knowledge and historical experience. If the contingent event has formed a practical obligation which probably results in outflow of economic benefits from the Group, a projected liability shall be recognized on the basis of the best estimate of the expenditures to settle the relevant practical obligation. Recognition and measurement of the projected liability, significantly rely on the management's judgments, in consideration of the assessment of relevant risks, uncertainties, time value of money and other factors related to the contingent events.

5. TAXATION

Main taxes and tax rates

Type of tax	Tax rates and base
Value added tax ("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%
Enterprise income tax	Taxable income: 25%
Custom duty	FOB: 5%-15%

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Subsidiaries

(a) Subsidiaries acquired by incorporation or investment

Full name	Type of subsidiary	Registration place	Nature of the business	Registered		Legal representative	Organization code	Actual investment at the end of the year	Other substantive investment
				capital	Business scope				
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	
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 Li Zhongwu	58950506-X	60	
Ningbo Angang Steel International Trade Co.,Ltd. (Ningbo Trading)	Wholly-owned subsidiary	Ningbo	Steel Trading	6	Sales of metal materials, building materials	Limited liability company Li Gesheng	07492874-1	6	
Yantai Angang Steel International Trade Co.,Ltd. (Yantai Trading)	Wholly-owned subsidiary	Yantai	Steel Trading	6	Sales of metal materials, building materials	Limited liability company Qiu Rongjiang	07444216-X	6	

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(1) Subsidiaries *(Continued)*

(a) Subsidiaries acquired by incorporation or investment *(Continued)*

Full name	The proportion of shareholding (%)	The Proportion of voting-right (%)	Included in consolidated statements	Minority interest	Deductible minority interest	Group's equity Balance of parent after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Angang Steel Processing and Distribution(Dalian) Co., Ltd.	100	100	Yes			
Angang Steel Distribution (Wuhan) Co., Ltd.	100	100	Yes			
Angang Steel Distribution (Hefei) Co., Ltd.	100	100	Yes			
Guangzhou Angang Steel Processing Co., Ltd.	75	75	Yes	19		
Ningbo Angang Steel International Trade Co.,Ltd..	100	100	Yes			
Yantai Angang Steel International Trade Co.,Ltd..	100	100	Yes			

(b) Subsidiaries acquired by business combination under common control

Full name	Type of subsidiary	Registration place	Nature of the business	Registered capital	Business scope	Legal Company type	Legal representative	Organization code	Actual investment at the end of the year	Other essential investment
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	98	
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	
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	

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries (Continued)

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

Full name	Type of subsidiary	Registration place	Nature of the business	Registered capital	Business scope	Legal Company type	Legal representative	Organization code	Actual investment at the end of the year	Other essential investment
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	
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	
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	
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	

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
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		
Shenyang Angang International Trade Co., Ltd	100	100	Yes			
Shanghai Angang Steel Processing Co., Ltd.	51	51	Yes	19		
Guangzhou Angang International Trade Co., Ltd	100	100	Yes			
Tianjin Angang North International Trade Co., Ltd	100	100	Yes			
Shanghai Angang Trading Trade Co., Ltd	100	100	Yes			
Chengdu Angang International Trade Co., Ltd.	100	100	Yes			
Weifang Angang Steel Processing And Distribution Co., Ltd.	51	51	Yes			

(2) Changes in the consolidation scope

The first EGM of 2013 was held on January 30 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")" 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. Both assets exchange and share transfer agreements mentioned above were settled and implemented on January 31, 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 year

Subsidiaries	Closing balance of net assets	Net profit of this year
Yantai Trading	6	
Ningbo Trading	6	
Angang Dalian	109	(1)
Angang Shenyang	92	(7)
Angang Tianjin	52	
Shenyang Trading	8	(6)
Angang Shanghai	40	2
Guangzhou Trading	16	1
Tianjin Trading	7	
Shanghai Trading	(32)	(37)
Chengdu Trading	6	4
Angang Weifang	1	

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

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 year

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

Note: On January 31, 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 year *(Continued)*

- (a) The value of the consolidated cost and the acquired net assets at the combination date is as follows:

Items	Balance
The carrying amount of the acquired net assets	663
Add: cash acquired	227
Less: the combination costs	1,200
Adjust the amount of net assets	310
Including: Adjusted capital reserve	247
Adjusted retain earning	63

- (b) The information for the cash flow of the assets, liabilities and acquisition of the domestic trade at the combination date:

Items	Combined date book value	Previous year book value
Cash and cash equivalents	820	1,074
Account receivables	90	121
Inventories	649	873
Other current assets	1,216	1,241
Fixed assets	50	51
Intangible assets	82	82
Other non-current assets	26	24
Less: account payables	629	541
Employee benefits payable	1	1
Other liabilities	1,566	2,078
Net assets	737	846
Less: minority interests	74	78
Acquired net assets	663	768

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

- (c) The income, net profits and cash flows of the domestic trade assets from Jan.1st to the combination date

Items	From the beginning of the year to the combination date
Operating income	1,859
Net profit	25
Cash flow from operating activities	(117)
Net cash flow	(254)

(5) Disposal of subsidiaries during the reporting period

Subsidiaries	Disposal day	The measurement of recognition for disposal gains and losses
Tianjin Tiantie	January 31, 2013	The disposal gains and losses are recognized as the difference between the disposal consideration and the net assets from the subsidiary of the disposal equity in the value of the company's consolidated statement levels for disposal.

The Company transferred 45% equity of Tianjin Tiantie to Angang Holding at Jan.31, 2013. The date when the Company lost the control of the net assets, financial and operating decision making power is defined as the date of sale. (Note 6(2))

- (a) The disposal price and cash flow are listed as follows:

Items	Balance
Disposal price	1,139
Cash and cash equivalents received from disposal	1,139
Less: net cash and cash equivalents at the date of disposal	1,462
Net cash received from disposal	(323)

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(5) Disposal of subsidiaries during the reporting period *(Continued)*

(b) The net assets of disposed companies mentioned above are listed as follows:

Items	The book value of the combination date	The book value last year
Current assets	2,319	1,862
Non-current assets	6,237	6,222
Current liabilities	5,951	5,240
Non-current liabilities	1	211
Total Net Assets	2,604	2,633

(c) The disposal gains and losses are calculated as follows:

Items	Balance
Disposal price	1,139
Less: the book value of the disposal long term equity investment	1,665
investment income from disposition	(526)

(d) The revenue, expenses and profits from the beginning of the year to the disposal date are listed as follows:

Items	Balance
Income	173
Less: costs and expenses	211
Total profit	(38)
Income tax expense	(9)
Net profit	(29)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the notes below, unless otherwise specified, the opening balance refers to the balance as at 1 Jan.2013,closing balance refers to the balance as at 31 Dec.2013, the current year refers to the year ended 31 Dec.2013, last year refers to the year ended 31 Dec.2012.

(1) CASH AT BANK OR ON HAND

Items	Closing balance			Opening balance
	Foreign Amount	Exchange rate	RMB	RMB
Cash			1	1
Bank deposits			1,111	2,467
— RMB			1,050	2,467
— U.S. dollar	10	6.1156	61	
Other cash balance			14	655
Total			1,126	3,123

Note: The 64% decrease as compared with the end of the last year was mainly caused by cash inflow from operating activities RMB10,563 million, cash outflow from investing activities RMB 2,590 million, cash inflow from financing activities RMB 9,970 million.

(2) NOTES RECEIVABLE

(a) Classification of notes receivable

Items	Closing balance	Opening balance
Bank Acceptance Notes	10,623	9,388
Total	10,623	9,388

(b) As at 31 December 2013, there was no pledged notes receivable..

(c) No notes receivable were transferred to accounts receivable due to insolvency of the issuer as at Dec.31, 2013.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) NOTES RECEIVABLE (Continued)

- (d) Notes receivables that are not mature but have been endorsed as at Dec.31, 2013. (Top five by amount)

Issuer	Issuing date	Maturity date	Closing balance	Derecognition or not	Notes
ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Group Limited ("ANSC-Dachuan")	Jul. to Dec. 2013	Jan. to June2014	651	Yes	
Hubei Huitong Industry and Trade Group Co, Ltd.	Jul. to Dec. 2013	Jan. to June2014	195	Yes	
Dalian Shipbuilding Industry Group Steel Co.Ltd.	Jul. to Dec. 2013	Jan. to June2014	163	Yes	
Anshan Ordnance Goods and Materials Co., Ltd.	Aug. to Dec. 2013	Feb. to June 2014	148	Yes	
Liaoyang Huitong Precision sheet Co., Ltd.	Jul. to Dec. 2013	Jan. to June2014	145	Yes	
Total			1302		

(3) ACCOUNTS RECEIVABLE

- (a) Classification of Accounts Receivable

Items	Closing balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	1,921	90		
Accounts receivable with insignificant single amount subject to individual impairment	213	10		
Total	2,134	100		

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

(3) ACCOUNTS RECEIVABLE *(Continued)*

(a) Classification of Accounts Receivable *(Continued)*

Type	Opening balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	1,613	85	4	
Accounts receivable with insignificant single amount subject to individual impairment	292	15	6	2
Total	1,905	100	10	2

Note: The majority of the Group's sales were prepaid in full amount by cash or bank and notes. For credit sales, the credit periods ranged from 1 to 4 months.

(b) Accounts Receivable classified by aging

Aging	Closing balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,128	100		
1 to 2 years	5			
2 to 3 years				
Over 3 years	1			
Total	2,134	100		

Aging	Opening balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,888	99	10	1
1 to 2 years	15	1		
2 to 3 years				
Over 3 years	2			
Total	1,905	100	10	1

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) ACCOUNTS RECEIVABLE (Continued)

- (c) Bad debt provision at the end of the year

The management considered that major accounts receivable could be recovered and the debtors have solvency, so bad debt provision is relatively low.

- (d) Account receivables due from shareholders with more than 5% (including 5%) voting rights of the Group at the end of the year

Debtor	Closing balance		Opening balance	
	Amount	Bad debt provision	Amount	Bad debt provision
Angang Holding			1	
Total			1	

- (e) Top five of the debtors at the end of the year

Debtors	Relationship	Balance	Aging	Percentage (%)
Angang Trade	Fellow subsidiary	675	Within 1 months	32
Angang Group Chaoyang Anling Iron & Steel Co. Ltd ("Anling Steel")	Fellow subsidiary	384	Within 3 months	18
China Petrochemical International Co., Ltd.	Third party	309	Within 3 months	15
Procurement Center of China First Automobile Co., Ltd	Third party	156	Within 3 months	7
China Huanqiu Engineering Co.	Third party	135	Within 4 months	6
Total		1,659		78

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

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

(4) OTHER RECEIVABLES

(a) Classification of other receivables

Type	Closing balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amount subject to individual impairment				
Other receivables with insignificant single amount subject to individual impairment	18	100		
Total	18	100		

Items	Opening balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amount subject to individual impairment	52	71		
Other receivables with insignificant single amount subject to individual impairment	21	29		
Total	73	100		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) OTHER RECEIVABLES (Continued)

(b) Aging of other receivables

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	6	33	63	86
1 to 2 years	2	11		
2 to 3 years			8	11
Over 3 years	10	56	2	3
Total	18	100	73	100

Note: The 75% decrease in other receivables compared with the end of the last year was due to the fact that RMB 51 million was received from Anling Steel this year.

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

The management considered that major accounts receivables could be recovered and the debtors were solvency, 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 year.

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

(5) PREPAYMENTS

(a) Prepayment classified by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,948	97	2,692	91
1 to 2 years	37	1	40	1
2 to 3 years	10		158	5
Over 3 years	47	2	76	3
Total	3,042	100	2,966	100

Note: The prepayments aged more than one year were mainly prepayment for importing engineering equipment.

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

(5) PREPAYMENTS *(Continued)*

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

Debtors	Relationship	Amounts	Aging	Reason for unsettlement
Angang Trade	Fellow subsidiary	2,063	Within 5 years	undue
China Metallurgical Coke- Resistant Engineering Technology Co., Ltd.	Third party	204	Within 1 year	undue
Heilongjiang Longmay Mining Group Co., Ltd. ("Longmay Group")	Third party	170	Within 1 year	undue
Angang Group Engineering Technology Co., Ltd	Fellow subsidiary	108	Within 1 year	undue
Anling Steel	Fellow subsidiary	92	Within 1 year	undue
Total		2,637		

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

(6) DIVIDENDS RECEIVABLE

Items	Opening balance	Increase	Decrease	Closing balance
WISDRI Engineering and Research Incorporation Limited	7		7	
Total	7		7	

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) INVENTORY

(a) Classification of Inventory

Items	Closing balance		
	Book value	Inventory falling price reserves	Carrying value
Raw materials	2,742	74	2,668
Work in progress	3,258	276	2,982
Finished goods	3,859	223	3,636
Revolving materials	1,070		1,070
Spare parts	1,910		1,910
Materials in transit	87		87
Work in progress-outsourced	3		3
Total	12,929	573	12,356

Types	Opening balance		
	Book value	Inventory falling price reserves	Carrying value
Raw materials	2,537	38	2,499
Work in progress	2,762	140	2,622
Finished goods	2,969	148	2,821
Revolving materials	1,280		1,280
Spare parts	2,235		2,235
Materials in transit	52		37
Work in progress-outsourced	4		4
Total	11,824	326	11,498

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

(7) INVENTORY *(Continued)*

(b) Changes in Inventory falling price reserves

Items	Opening balance	Increment of the year	Decrement of the year		Closing balance
			Written back	Written off	
Raw materials	38	280		244	74
Work in progress	140	858		722	276
Finished goods	148	735		660	223
Total	326	1,873		1,626	573

(c) Analysis of Inventory falling price reserves

- (i) The net realizable value of finished goods and the relevant raw materials is lower than the cost. Therefore, write-down of inventories was accrued at the end of the year.
- (ii) The reason for the written-off is the sale of finished goods, and the corresponding write-down has been written off.

(8) OTHER CURRENT ASSETS

Items	Nature	Closing balance	Opening balance
Corporate income tax	Overpayment of corporate income tax		8
Total			8

Note: The overpayment of enterprise income tax last year has been returned in current year.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Items	Closing balance (fair value)	Opening balance (fair value)
Available-for-sale equity instrument	56	101
Total	56	101

Note: The 45% decrease in available-for-sale equity instrument as compared with the end of last year was mainly due to the declines of share price of Hunan Zhuzhou Metallurgical Group Co., Ltd subscribed by the Company through non-public offering.

(10) LONG-TERM EQUITY INVESTMENTS

(a) Classification of long-term equity investments

Type	Opening balance	Increase of the year	Decrease of the year	Closing balance
Investment in joint ventures	1,616	435	415	1,636
Investment in associates	632	173	7	798
Other equity investments	463	231		694
Less: Provisions for impairment of long-term equity investments				
Total	2,711	839	422	3,128

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) LONG-TERM EQUITY INVESTMENTS (Continued)

(b) Details of long-term equity investments

Investee	Accounting method	Cost of investment	Opening Balance	Increase/ Decrease	Closing Balance
TKAS Auto Steel Company Limited ("ANSC-TKS")	Equity method	533	1,254	(3)	1,251
ANSC - Dachuan	Equity method	190	224		224
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	Equity method	45	86	9	95
ANSC-TKS Changchun Steel Logistics Co., Ltd. ("TKAS-SSC")	Equity method	48	52	14	66
ANSC-TKS (Changchun) Tailored Blanks Ltd ("TKAS")	Equity method	37	57	21	78
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	79	642
Anshan Angang Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder")	Equity method	1	1	(1)	
Guangzhou Nansha Steel Logistical Co.,Ltd.("Nansha Logistical")	Equity method	73		73	73
Tianjin Tantie Binhai Metallurgy Enterprise Co., Ltd. ("Binhai Industry")	Equity method		6	(6)	
WSDRI	Cost method	35	35		35
Longmay Group	Cost method	220	220		220
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	69	23	46	69
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. ("Guoqi Lightweight")	Cost method	3	3		3
Tianjin Tiantie	Cost method	185		185	185
Total			2,711	417	3,128

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

(10) 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	Provision of Impairment	Accrued Impairment	Cash dividends
ANSC - TKS	50	50				400
ANSC - Dachuan	50	50				
Changchun FAM	50	50				
TKAS - SSC	50	50				
TKAS	45	45				
Entity Packing	30	30				
Angang Finance	20	20				
Iron Oxide Powder	30	30				
Nansha Logistical	45	45				
Binhai Industry						
WISDRI.	6	6				
Longmay Group	1	1				
Falan Packing	15	15				1
Dalian Shipyard	15	15				
China Shipbuilding	10	10				
Dalian Steel	15	15				
Guoqi Lightweight	7	7				
Tianjin Tiantie	5	5				
Total						401

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

(10) LONG-TERM EQUITY INVESTMENTS *(Continued)*

(c) INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(i) Joint ventures of the Group.

Investee	Type	Registered place	Legal representative	Nature of business	Registered capital	Proportion of shareholding	Proportion of voting-rights (%)
ANSC-TKS	Limited Liability Company (Sino-Foreign Cooperative Venture)	Dalian	Fisher	Steel processing	USD 132 million	50	50
ANSC-Dachuan	Limited Liability Company	Dalian	Sha Xiaochun	Steel processing and sale	RMB 380 million	50	50
Changchun FAM	Limited Liability Company (Sino-Foreign Cooperative Venture)	Changchun	Li Baojie	Steel production processing and service	RMB 90.374 million	50	50
TKAS-SSC	Limited Liability Company (Sino-Foreign Cooperative Venture)	Changchun	Haidobol Rudolph	Steel processing and sale	USD 12 million	50	50

Investee	Total assets at the end of the year	Total liabilities at the end of the year	Total net assets at the end of the year	Total revenue for this year	Net profit for this year
ANSC-TKS	2,951	348	2,603	5,784	834
ANSC-Dachuan	1,145	697	448	1,280	
Changchun FAM	363	183	180	518	16
TKAS-SSC	398	258	140	889	18

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) LONG-TERM EQUITY INVESTMENTS (Continued)

(c) INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (Continued)

(ii) Associates of the Group

Investee	Type	Registered place	Legal representative	Nature of business	Registered capital	Proportion of shareholding	Proportion of voting-rights (%)
TKAS	Sino-Foreign Joint Venture	Changchun	Hairdabol Rudolph	Laser bonding producing	USD 10 million	45	45
Entity Packing	Limited Liability Company	Anshan	Zhang Leng	Packaging steel belt and steel processing	RMB 35.73 million	30	30
Angang Finance	Limited Liability Company	Anshan	Yu Wanyuan	Deposit and loan	RMB 1 billion	20	20
Iron Oxide Powder	Limited Liability Company	Anshan	Yuan Xuefeng	Iron oxide powder processing	RMB 2 million	30	30
Nansha Logistical	Limited Liability Company	Guangzhou	Hao Weiqiang	Sale, packaging, Trade, distribution	RMB 160 million	45	45

Name of investees	Total assets at the end of the year	Total liabilities at the end of the year	Total net assets at the end of the year	Total revenue for this year	Net profit for this year
TKAS	241	68	173	643	46
Entity Packing	15		15	7	(1)
Angang Finance	13,161	9,993	3,168	607	408
Iron Oxide Powder	5	7	(2)	2	(4)
Nansha Logistical	355	196	159	284	(3)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) FIXED ASSETS

(a) Analysis of fixed assets

Items	Opening balance	Increase of the year	Decrease of the year	Closing Balance
Cost	93,884	1,393	4,525	90,752
Buildings and Plants	25,927	214	1,684	24,457
Machineries and Equipment	63,239	1,113	2,714	61,638
Others	4,718	66	127	4,657
Accumulated depreciation	42,500	4,087	1,323	45,264
Buildings and Plants	7,381	579	272	7,688
Machineries and equipment	32,063	3,017	946	34,134
Others	3,056	491	105	3,442
Net book value	51,384			45,488
Buildings and Plants	18,546			16,769
Machineries and Equipment	31,176			27,504
Others	1,662			1,215
Provision for impairment	76		40	36
Buildings and Plants	14		8	6
Machineries and Equipment	59		32	27
Others	3			3
Carrying value	51,308			45,452
Buildings and Plants	18,532			16,763
Machineries and Equipment	31,117			27,477
Others	1,659			1,212

Note: i. The depreciation of this year was RMB 4,087 million. ii. The cost of constructions in progress transferred into fixed assets is RMB 1,406 million in current year.

(b) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying value	Notes
Buildings and Plants	15	7		8	
Machineries and Equipment	253	192	7	54	
Others	19	15	3	1	
Total	287	214	10	63	

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) FIXED ASSETS (Continued)

(c) The Group had no financial leased-in fixed asset as at 31 Dec. 2013.

(d) Fixed assets held under finance lease

Items	Closing carrying value	Opening carrying value
Buildings and Plants	34	63
Machineries and Equipment	59	68
Total	93	131

(12) 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	2,980		2,980	2,885		2,885
Putian Project				2,886		2,886
Tiantie Project				2,161		2,161
Shenyang Project	106		106	14		14
Wuhan Project	101		101	62		62
Hefei Project	93		93	72		72
Guangzhou Project	11		11	1		1
Dalian Project	8		8			
Chemical Plant Renovation	928		928	858		858
Chemical Fifth-Stage Coke Oven Renovation Project	282		282			
Chemical Fourth-Stage, ND oven coal preparation system and public auxiliary facilities	125		125	110		110
Chemical Fourth-Stage Coke Oven Renovation Project	43		43	42		42
The 1st Converter Gas Tank Project				33		33
Others	1,079		1,079	627		627
Total	5,756		5,756	9,751		9,751

Note: The RMB 3,995 million decrease in constructions in progress as compared with end of the last year was mainly due to the inclusion of contractions in progress of Tianjing Tiantie and Angang Putian at the beginning of this year, RMB 2,886 million and RMB 2,886 million respectively.

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

(12) CONSTRUCTIONS IN PROGRESS

(b) Changes in major constructions in progress

Items	Budget	Opening balance	Increase of the year	Transferred into fixed assets	Other decrease	Closing balance
Bayuquan Project	7,263	2,885	633	538		2,980
Putian Project	3,770	2,886	98		2,984	
Tiantie Project	6,296	2,161	48		2,209	
Shenyang Project	135	14	92			106
Wuhan Project	170	62	39			101
Hefei Project	112	72	21			93
Guangzhou Project	100	1	10			11
Dalian Project	246		8			8
Chemical Plant Renovation	1,125	858	70			928
Chemical Five Coke Oven Renovation Project	1,523		282			282
Chemical Fourth-Stage, ND oven coal preparation system and public auxiliary facilities	614	110	15			125
Chemical Fourth-Stage Coke Oven Renovation Project	2,478	42	1			43
The 1st Converter Gas Tank Project	39	33	5	38		
Others		627	1,284	830	2	1,079
Total		9,751	2,606	1,406	5,195	5,756

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) CONSTRUCTIONS IN PROGRESS (Continued)

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

Items	Accumulated capitalized borrowing cost	Of which: capitalized this year	Capitalization rate (%)	Expenditure over budget (%)	Project progress (%)	Resource of fund
Bayuquan Project	475	146	5.71	53	53	Self-financing
Putian Project	243	12	6.10			
Tiantie Project	365	16	5.36			
Shenyang Project				79	79	Self-financing
Wuhan Project	2	3	6.40	59	59	Self-financing Borrowings
Hefei Project	1	1	5.54	84	84	Self-financing
Guangzhou Project				11	11	Self-financing
Dalian Project				3	3	Self-financing
Chemical Plant Renovation	193	44	5.56	87	87	Self-financing, Borrowings
Chemical Fifth-Stage Coke Oven Renovation Project	9	9	5.56	18	18	Self-financing
Chemical Fourth-Stage, ND oven coal preparation system and public auxiliary facilities	31	5	5.56	94	94	Self-financing
Chemical Fourth-Stage Coke Oven Renovation Project	97			93	93	Self-financing
The 1st Converter Gas Tank Project	4	2	5.56	100	100	Self-financing
Others	491	24	5.56	53	53	Self-financing
Total	1,911	261				

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

(c) As at 31 Dec. 2013, there was no construction in progress whose carrying value was higher than its realizable value.

(13) CONSTRUCTION MATERIALS

Items	Opening balance	Increase of the year	Decrease of the year	Closing balance
Special equipment	243	550	767	26
Total	243	550	767	26

Note: The decrease in construction materials as compared with end of the last year was mainly due to the inclusion of construction materials of Tianjing Tiantie and Angang Putian at the beginning of this year, RMB 28 million and RMB 201 million respectively.

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

(14) INTANGIBLE ASSETS

Items	Opening balance	Increase of the year	Decrease of the year	Closing balance
Total cost	7,882	33	525	7,390
Land use right	7,801	27	517	7,311
software	49	6	8	47
Non-patented technology	32			32
Accumulative amortization	1,123	164	44	1,243
Land use right	1,063	149	37	1,175
software	30	14	7	37
Non-patented technology	30	1		31
Total net book value	6,759			6,147
Land use right	6,737			6,136
software	20			10
Non-patented technology	2			1
Total provision for impairment				
Land use right software				
Non-patented technology				
Total book value	6,759			6,147
Land use right	6,737			6,136
software	20			10
Non-patented technology	2			1

Note: The amortization of this year was RMB 164 million.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) 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 impairment of fixed assets	152	609	103	412
Deductible loss	2,528	10,114	3,118	12,475
Salaries payable	56	225	47	187
Safety production expenses			11	44
Accumulated depreciation of fixed assets	6	22	5	21
Unrealized inter-group profit	41	164	36	147
Government grants	195	781	165	659
Fair value variation on available-for-sale financial assets	6	25		
Termination benefits	2	7	5	17
Employee training expenses	15	58	16	63
Total	3,001	12,005	3,506	14,025

(b) Recognized deferred income tax liabilities

Items	Closing balance		Opening balance	
	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference
Fair value variation on available-for-sale financial assets			5	20
Capitalized borrowing costs	20	79	23	92
Revaluation of assets			1	2
Total	20	79	29	114

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

(16) PROVISIONS FOR IMPAIRMENT

Items	Opening balance	Increase for this year	Decrease of this year		Closing balance
			Written back	Written off	
Provision for bad debts	10	(7)		3	
Provision for written-down of inventories	326	1,873		1,626	573
Provision for impairment of fixed assets	76			40	36
Total	412	1,866		1,669	609

(17) SHORT-TERM LOANS

Items	Closing balance	Opening balance
Guaranteed loans		3,200
Credit loans	9,241	11,930
Total	9,241	15,130

Note: The 39% decrease in short-term loans as compared with end of the last year was mainly due to a) the medium-term note issued, reducing working capital loan during this year; and b) the inclusion of RMB 2,200 million short-term loans of Tianjin Tiantie at the beginning of this year.

(18) NOTES PAYABLE

Types of notes	Closing balance	Opening balance
Bank acceptances	47	3,343
Total	47	3,343

Note: i. The amount due within 1 year was RMB 47 million.

ii. The decrease in notes payable as compared with end of the last year, which was mainly due to a) the inclusion of RMB 1,704 million of notes payable of Tianjin Tiantie at the beginning of this year; and b) the increase of note endorsement reduced the notes payable to be issued.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) ACCOUNT PAYABLES

- (a) Classification of account payables by nature

Items	Closing balance	Opening balance
Account payables for purchasing	14,782	5,519
Construction payables	407	232
Operation expenses on supporting production	65	50
Freight	32	26
Others	57	39
Total	15,343	5,866

Note: The increase in accounts payable compared with the end of last year was mainly due to the increase of payables to import 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) Significant account payables aging over 1 year

Creditor	Balance owed	Aging
Tangyuan Tianyu Coal & Coke Energy Co., Ltd.	43	1-2year
Total	43	

- (d) Aging of account payables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	15,232	99	5,794	99
1 to 2 years	44		20	
2 to 3 years	2		10	
Over 3 years	65	1	42	1
Total	15,343	100	5,866	100

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

(20) ADVANCES FROM CUSTOMERS

- (a) Classification of advances from customers by nature

Items	Closing balance	Opening balance
Selling of products	4,031	5,520
Total	4,031	5,520

- (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 year.
- (d) Aging of advances from customers

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	4,001	99	5,439	99
1 to 2 years	12	1	38	1
2 to 3 years	8		23	
Over 3 years	10		20	
Total	4,031	100	5,520	100

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) EMPLOYEE BENEFITS PAYABLE

Items	Opening balance	Accrued during this year	Paid during this year	Closing balance
1. Salaries, bonus and allowance	236	2,102	2,123	215
2. Staff welfare		253	253	
3. Social insurance		803	803	
Including: Basic medical insurance		150	150	
Supplementary pension insurance		41	41	
Basic pension insurance		416	416	
Annuity payment (Supplementary pension insurance)		131	131	
Unemployment insurance		38	38	
Staff and workers' injury insurance		24	24	
Others		3	3	
4. Housing fund		274	274	
5. Labor union fee and staff training fee	67	49	54	62
6. Termination benefits	10	81	87	4
7. Others		75	75	
Total	313	3,637	3,669	281

(22) TAXES AND SURCHARGES PAYABLE

Items	Opening balance	Accrued during this year	Paid during this year	Closing balance
VAT	(1,326)	1,809	985	(502)
Business tax		1	1	
Resource tax		3	3	
Corporate income tax	9	(13)	10	(14)
City maintenance and construction tax	19	111	130	9
Property tax	9	105	105	24
Land use tax	20	282	278	10
Individual income tax	4	42	36	
Educational surcharges	8	47	55	
Local educational surcharges	5	32	37	
Stamp tax	7	52	50	9
Others	(111)	(81)	(106)	(86)
Total	(1,356)	2,390	1,584	(550)

Note: The 59% increase in taxes and surcharges payable as compared with end of the last year was mainly due to a) the inclusion of the tax payable of Tianjin Tiantie and Angang Putian at the beginning of this year, RMB-155 million and RMB-336 million respectively; and b) the increase of actual amount of VAT payable at the end of this year..

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

(23) INTERESTS PAYABLE

Items	Closing balance	Opening balance
Interest for short-term financing bonds	86	96
Interest for medium term note	110	
Total	text-align: right;">196	text-align: right;">96

(24) OTHER PAYABLES

(a) Classification of other payables by nature

Items	Closing balance	Opening balance
The Energy-saving and Emission-reducing funds transferred by Angang holding	364	364
Construction payables	493	1,067
Quality assurance -project/spare parts	599	786
Freight charges	165	123
Deposit for steel shelves	82	36
Performance assurance	116	121
Others	125	181
Total	text-align: right;">1,944	text-align: right;">2,678

(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).

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(24) OTHER PAYABLES (Continued)

(c) Significant balances of other payables aging over 1 year

Creditor	Closing balance	Reason	Whether paid after the balance sheet date
Angang Group Engineering Technology Co., LTD	73	Project quality assurance	No
Acre Coking & Refractory Engineering Technology Corporation	55	Project quality assurance	No
Angang Construction Group Co, Ltd	37	Project quality assurance	No
The Northeast Geotechnical Engineering Head Corporation	32	Project quality assurance	No
China First Heavy Machinery Group Co., LTD	26	Project quality assurance	No
China Sanye Group Co., LTD	20	Project quality assurance	No
Others	95	Project quality assurance	No
Total	338		

(d) Aging of other payables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	1,389	71	1,848	69
1 to 2 years	91	5	319	12
2 to 3 years	161	8	178	7
Over 3 years	303	16	333	12
Total	1,944	100	2,678	100

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

(25) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR

(a) Long-term liabilities due within 1 year

Items	Closing balance	Opening balance
Long-term loans due within 1 year <i>(Note.(27))</i>	1,271	7,501
Total	1,271	7,501

Note: The 83% decrease in long-term liabilities due within 1 year as compared with last 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 <i>(Note.(27))</i>		1,030
Credit loans	1,271	6,471
Total	1,271	7,501

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

Loaner	Commencement date	Due date	Interest Rate (%)	Closing balance	Opening balance
China Construction Bank Angang Branch	27 July 2011	26 July 2014	5.535	500	500
Bank of China Anshan Branch	30 Aug 2011	29 Aug 2014	5.535	300	300
Bank of China Anshan Branch	21 Jan 2011	20 Jan 2014	5.535	200	200
China Construction Bank Angang Branch	1 Mar 2011	28 Feb 2014	5.535	170	170
China Construction Bank Angang Branch	27 Jan 2011	26 Jan 2014	5.535	100	100
Total				1,270	1,270

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

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26) OTHER CURRENT LIABILITIES

Item	Nature	Closing balance	Opening balance
Short-term financing bonds		6,000	6,000
Deferred income	Government grants pertinent to assets	1	5
Total		6,001	6,005

(27) LONG-TERM LOANS

(a) Classification of Long-term loans

Items	Closing balance	Opening balance
Guaranteed loans (see note ii)	21	1,240
Credit loans	4,294	14,625
Less: long-term loans due within 1 year (Note:7(25))	1,271	7,501
Total	3,044	8,364

Note: i. The 64 % decrease in long-term loans as compared with the end of last year was mainly due to a) the inclusion of the long-term loans Tianjin Tiantie and Angang Putian at the beginning of this year, RMB 210 million and RMB 1,850 million respectively; and b) the fact of repayment of long-term loans in advance in this year.

ii. Guaranteed loans were used by for operating funds supplement Angang Hefei. 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	
Agricultural Bank of China Lishan Branch	17 May 2012	15 May 2015	5.535	400	400
Industrial and Commercial Bank of China Angang Branch	13 Dec 2012	3 Dec 2015	5.535	300	300
Agricultural Bank of China Lishan Branch	17 May 2012	8 May 2015	5.535	300	300
Agricultural Bank of China Lishan Branch	17 May 2012	5 May 2015	5.535	300	300
Total				1,800	1,300

Note: None of top five in long-term loans above was due within 1 year.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28) 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	3,971
Total	4,000			4,000	3,971

Type of bonds	Opening balance of interests payable	Increase of the year	Decrease of the year	Closing balance of interests payable
Medium term note		110		110
Total		110		110

(29) OTHER NON-CURRENT LIABILITIES

Items	Opening balance	Increase of the year	Decrease of the year	Closing balance
Deferred income	808	230	106	932
Termination benefits	7	(4)		3
Total	815	226	106	935

(30) SHARE CAPITAL

Items	Opening balance		Changes of the year (+,-)					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	85
b. Foreign shares listed overseas ("H shares")	1,086	15						1,086	15
Total	7,235	100						7,235	100

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) CAPITAL RESERVE

Items	Opening balance	Increase of the year	Decease of the year	Closing balance
Share premium	32,054		910	31,144
Other capital reserve	26		34	(8)
Including: Fair value variation on available-for-sale financial assets	26		34	(8)
Total	32,080		944	31,136

Note:

- i. The Company transferred and assigned its 80% equity interest in Angang Putian to Angang Trading in exchange for the Domestic Trade Business Assets (Note6(2,4)), forming a business combination under common control. The Company made some adjustments against capital reserve, which are stated as follows:
 - 1) The Company decided to make retroactive increase adjustments against the opening balance of capital reserve, and reduce capital reserve by RMB 615 million according to its carrying value on the prompt day
 - 2) 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 RMB 247 million.
 - 3) The part of retained earnings belonging to the Company realized before merging the Domestic Trade Business Assets shall be transferred out from capital reserve into retained earnings, reducing capital reserve by RMB 46 million.
 - 4) Angang Shenyang was no longer a joint venture but a subsidiary of the Company, thus the Company made some adjustments to the previous profits and losses of Angang Shenyang before combining date by reducing the capital reserve by RMB 2 million.
- ii. Capital reserve reduced by RMB 34 million due to the change of fair value of available-for-sale financial assets. (Note7 (46))

(32) SPECIAL RESERVE

Items	Opening balance	Increase of the year	Decease of the year	Closing balance
Safety production expenses	44	66	89	21
Total	44	66	89	21

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

(33) SURPLUS RESERVE

Items	Opening balance	Increase of the year	Decease of the year	Closing balance
Statutory surplus reserve	3,580			3,580
Total	3,580			3,580

(34) UNDISTRIBUTED PROFITS

Items	This year	Last year
Opening balance	4,419	8,635
Increase of the year	770	(4,025)
Including: Net profit transferred this year	770	(4,025)
Other adjustment factors		
Decease of the year	135	191
Including: Extraction of surplus reserve this year		
Extraction of general risk provisions this year		
Distribution of cash dividend this year		
Conversed capital		
Other decreases	135	190
Closing balance	5,054	4,419

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 (Note6 (2), (4)), thus forming a business combination under common control, and the undistributed profit decrease of RMB 135 million is the profits distributed to the original shareholders before the combining date

On March 28, 2014, the Board proposed to distribute cash dividend of RMB 0.027 per share to shareholders which amounts to RMB 195 million. The proposal shall be subject to consideration at general meeting of the shareholders of the Company. The cash dividend proposed after the balance sheet date was not recognized as liabilities on the balance sheet date.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) OPERATING INCOME AND OPERATING COST

(a) Operating income and operating cost

Items	This year	Last year
Operating income from main business	75,091	77,993
Other operating income	238	221
Total	75,329	78,214
Operating cost for main business	66,766	75,637
Other operating cost	163	255
Total	66,929	75,892

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 year		Last year	
	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	75,091	66,766	77,993	75,637
Total	75,091	66,766	77,993	75,637

(c) Main business by products

Name of products	This year		Last year	
	Operating income from main business	Operating cost from main business	Operating income from main business	Operating cost from main business
Hot rolled products	26,266	24,018	27,176	26,500
Cold rolled products	26,493	22,438	29,830	28,680
Medium -thick plate	9,123	8,210	9,423	8,982
Others	13,209	12,100	11,564	1,1475
Total	75,091	66,766	77,993	75,637

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

(35) OPERATING INCOME AND OPERATING COST *(Continued)*

(d) Operating income by region

Regions	This year		Last year	
	Operating income	Operating cost	Operating income	Operating cost
China	68,493	60,477	70,715	68,638
Overseas	6,836	6,452	7,499	7,254
Total	75,329	66,929	78,214	75,892

(e) Operating income from top five customers

Period	Operating income from top five customers	Proportion (%)
This year	10,703	14
Last year	9,338	12

(36) BUSINESS TAXES AND SURCHARGES

Items	This year	Last year
Resources tax and business tax	4	7
City maintenance and construction tax	111	102
Educational surcharge and local educational surcharge	79	72
Custom duty		1
Total	194	182

Note: For information about standard of business taxes and surcharges, refer to Note 5.

(37) MARKETING EXPENSES

Items	This year	Last year
Packing expense	519	583
Delivery expense	872	451
Sales and service expense	117	51
Agency fee for commissioned sales	29	35
Employee benefits	95	68
Insurance expense	7	6
Warehouse storage expense	4	6
Others	100	159
Total	1,743	1,359

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) ADMINISTRATIVE EXPENSES

Items	This year	Last year
Repair and maintenance	1,473	1,265
Employee benefits	573	445
Taxes	438	394
Amortization of intangible assets	161	167
Depreciation	75	79
Sewage fee	85	90
Assistance for production expense	101	83
Computer maintenance expense	28	65
Security and firefighting expense	7	58
Warehouse expenditure	6	45
Others	323	350
Total	3,270	3,041

(39) FINANCIAL EXPENSES

Items	This year	Last year
Interest expense	1,502	2,239
Less: Interest income	23	32
Less: Capitalized interest expense	261	363
Exchange gain or loss	(25)	(51)
Less: Capitalized exchange gain or loss		
Others	25	53
Total	1,218	1,846

Note: The 34 % decrease in financial expenses as compared with the last year was mainly due to the decrease of bank loans, which decreased interest expenses of bank loans.

(40) INVESTMENT INCOME

(a) Details of investment income

Items	This year	Last year
Long-term equity investment income measured at cost method	1	10
Long-term equity investment income measured at equity method	533	404
Investment income from disposal of long-term equity investments	21	
Total	555	414

- Note: i. The 34 % decrease in financial expenses as compared with the last year was mainly due to the increase in net profit of ANSC-TKS.
- ii. There was no severe restriction on the transfer of investment income to the Group.

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

(40) INVESTMENT INCOME *(Continued)*

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

Investees	This year	Last year
Falan Packing	1	1
Longmay Group		2
WISDRI		7
Total	1	10

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

Investees	This year	Last year
ANSC-TKS	416	282
Angang Finance	79	78
TKAS	21	16
TKAS-SSC	9	12
Changchun FAM	8	10
ANSC-Dachuan		5
Binhai Industrial		1
Total	533	404

(41) IMPAIRMENT LOSSES

Items	This year	Last year
Provision for bad debts	(7)	(5)
Provision for written-down of inventories	1,873	1,703
Total	1,866	1,698

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) NON-OPERATING INCOME

Items	This year	Last year	Recorded into extraordinary gains and losses
Total gains from disposal of non-current assets	42	52	42
Including: Gains on fixed assets scrapped	42	20	42
Other gains on disposal of fixed assets		32	
Government grant (Disclosed in the below: Details of government grants)	113	63	113
Others	3	4	3
Total	158	119	158

Note: The 33% increase in non-operating income during this year as compared with last year was mainly due to the increase of recognized government grants.

Details of government grants:

Items	This year	Last year
R & D subsidy	41	6
Environmental rewards	34	13
Military project grants	31	40
Others	7	4
Total	113	63

(43) NON-OPERATING EXPENSES

Items	This year	Last year	Recorded into extraordinary gains and losses
Total loss on disposal of non-current assets	89	41	89
Including: Loss on fixed assets scrapped	89	29	89
Other loss on disposal of fixed assets		12	
Others	5	8	5
Total	94	49	94

Note: The 92% increase in non-operating expenses during this year as compared with last year was mainly due to the increase of the loss on fixed assets retired.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(44) INCOME TAX EXPENSES**

Items	This year	Last year
Income tax calculated according to the Tax Law and the relevant regulations	6	48
Changes on deferred income tax expenses	(33)	(1,116)
Total	(27)	(1,068)

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

(45) 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 year.
- (ii) The gains or losses resulted from the conversion of the diluted potential ordinary shares and
- (iii) The effects of the income tax on the above adjustments.

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

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

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) BASIC EPS AND DILUTED EPS (Continued)

(a) Basic EPS and diluted EPS

Net profit	This year		Last year	
	Basic EPS (RMB Yuan/ share)	Diluted EPS (RMB Yuan/ share)	Basic EPS (RMB Yuan/ share)	Diluted EPS (RMB Yuan/ share)
Net profit attributable to ordinary shareholders	0.106	0.106	(0.556)	(0.556)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	0.096	0.096	(0.564)	(0.564)

(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 year	Last year
Net profit attributable to ordinary shareholders	770	(4,025)
Including: Net profit attributable to continuing operations	770	(4,025)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	695	(4,077)
Including: Net profit attributable to continuing operations	695	(4,077)

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

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

(46) OTHER COMPREHENSIVE INCOME

Items	This year	Last year
Gain from the a available-for-sale financial assets	(45)	9
Minus: Income tax impact resulted from available-for-sale financial assets	(11)	2
Total	(34)	7

(47) NOTES TO THE CASH FLOW STATEMENT

(a) Cash received from other operating activities

Items	This year	Last year
Government grants	267	173
Others	67	32
Total	334	205

(b) Cash paid for other operating activities

Items	This year	Last year
Freight fee payments for others	857	434
Agency fee for commissioned sales	8	15
Sewage fee	85	94
Computer maintenance fees	22	58
Security and firefighting expense	7	61
Green fees	34	31
Pipeline transportation fees	19	17
Agency fees	19	16
Purchases and sales business fee	38	92
Insurance fee	39	39
Other operating expenses	474	403
Total	1,602	1,260

(c) Cash received from other investing activities

Items	This year	Last year
Income from test run	246	3
Interest income	25	33
Total	271	36

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(d) Cash paid for other investment activities.

Items	This year	Last year
Net cash from assets replacement and equity transfer	231	
Total	231	

(48) SUPPLEMENT TO CASH FLOW STATEMENT

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

Supplement	This year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	755	(4,252)
Add: Provision for impairment	203	(355)
Depreciation of fixed assets	4,087	5,534
Amortization of intangible assets	164	167
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	47	9
Loss on the change of fair value		
Financial expenses	1,205	1,817
Investment loss	(555)	(414)
Decrease in deferred tax assets("-" for increase)	(30)	(1,103)
Increase in deferred tax liabilities("-" for decrease)	(3)	(13)
Decrease in inventories ("- " for increase)	(2,731)	3,972
Decrease in operating receivables ("- " for increase)	(1,330)	(3,190)
Increase in operating payables ("- " for decrease)	8,788	399
Others	(37)	17
Net cash flow from operating activities	10,563	2,568
2. Change in cash and cash equivalents		
Cash at the end of the year	1,126	3,123
Less: cash at the beginning of the year	3,123	2,560
Add: cash equivalents at the end of the year		
Less: cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	(1,997)	563

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(48) SUPPLEMENT TO CASH FLOW STATEMENT (Continued)

(b) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
1. Cash at bank and on hand	1,126	3,123
Cash	1	1
Bank deposits available	1,111	2,467
Other deposits available	14	655
2. Cash equivalents		
Bond due within 3 months		
3. Closing balance of cash and cash equivalents	1,126	3,123

8. ACCOUNTING TREATMENT OF ASSET SECURITIZATION

There is no securitization of asset that needs to be disclosed this year.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) INFORMATION ON THE PARENT OF THE COMPANY

Group name	Related relationship	Group Type	Registration place	Legal representatives	The nature of business
Angang Holding	Parent Company	State owned Company	Tie Xi District Anshan Liaoning Province	Zhang Xiaogang	Production and sale of steel and metal products, steel filament Tubes, and metal structures

Group name	Registered Capital	The Group's shareholding	Proportion of voting-right	Ultimate controlling party	Organization Code
Angang Holding	10,794	67.80	67.80	Angang Group Corporation	24142001-4

(2) INFORMATION ON THE SUBSIDIARIES OF THE COMPANY

Disclosed in Note 6(1).Subsidiaries

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

Disclosed in Note 7.(10) (c).Investment in joint ventures and associates

9. RELATED PARTIES AND RALATED PARTY TRANSACTIONS (Continued)

(4) RELATED PARTIES WITHOUT CONTROL RELATIONSHIP

Name of enterprise	Relation with the Company	Organization code
ANSC-TKS	Joint venture	71093688-2
ANSC-Dachuan	Joint venture	75990387-0
TKAS-SSC	Joint venture	785926056
Changchun FAM	Joint venture	76717649-0
TKAS	Associate	767159789
Angang Finance	Associate	1188857-2
Nansha Logistical	Associate	57995211-4
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
Tianjing Tiantie	Fellow subsidiary	75224243-2
Pangang Steel Vanadium and Titanium Co., Ltd	Fellow subsidiary	204360956
Pangang Steel Metallurgical Engineering Technology Co.,Ltd	Fellow subsidiary	204363911
Pangang Steel Chengdu Steel Vanadium co., Ltd	Fellow subsidiary	690908074
Anshan 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 Jilini 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 within Angang Holding

(i) Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Year		Last Year	
		Amount	Percent of similar trade (%)	Amount	Percent of similar trade (%)
Raw materials	Note. I	14,458	47	14,851	50
Supplementary materials	Note. ii	1,966	29	1,847	24
Energy and power supplies	Note. iii	1,591	29	1,945	33
Support services	Note. iv	4,260	51	5,549	64
Total		22,275		24,192	

(ii) Related-party transactions on Sales of Goods and Services

Contents	Pricing Policy	This Year		Last Year	
		Amount	Percent of similar trade (%)	Amount	Percent of similar trade (%)
Products	Note.v	3,236	4	7,579	10
Scrap steel and materials		142	92	158	93
General services	Note.vi	722	41	618	38
Total		4,100		8,355	

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

Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Year		Last Year	
		Amount	Percent of related transactions (%)	Amount	Percent of related transactions (%)
Raw materials	Note. I	1,363	6	936	4
Total		1,363		936	

9. RELATED PARTIES AND RALATED PARTY TRANSACTIONS (Continued)

(5) RELATED-PARTY TRANSACTIONS (Continued)

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

- 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 is 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.
 - 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) Leases

Lessor	Lessee	Leasing assets	Lease starting date	Lease expiring date	Rental income ascertained basis	Rental income
The Company	Subsidiaries of Angang Holding	Building, machinery	Jan.2013	Dec.2013	Lease agreement	4

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5) RELATED-PARTY TRANSACTIONS *(Continued)*

- (d) Guarantee of loans

Warrantor	Warrantee	Amount Guaranteed	Starting date	Expiring date	Whether fulfilled
Angang Holding	Angang Hefei	21	March 5,2013	Sep.6,2016	No

- (e) Directors' and supervisors' remunerations

The interval of remunerations (RMB)	2013	2012
Total	4	4
Including: (number of people)		
Over 0.20 million	9	7
0.15 to 0.20 million		
0.10 to 0.15 million	2	1
Within 0.10 million	5	4

- (f) Other related-party transactions

- (i) Service from sales agent

For the year end 2013, the amount of domestic and export sales agent service provided Angang Trade were 0.59 million tons and 1.73 million tons respectively (6.41 million tons and 1.70 million tons respectively for the year end 2012).

- (ii) Related-party transactions with the joint ventures and the associates:

- A. Sales of products

Name of enterprise	Sales in this year	Sales in last year
ANSC-TKS	3,939	3,097
TKAS-SSC	274	531
Changchun FAM	46	59
TKAS	59	38
Nansha Logistic	35	

- B. Service of sales agent

The amount the Company paid to TKAS-SSC for their sales agent service was RMB 2 million for the year end 2013 (RMB 3 million for the year end 2012).

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) RELATED-PARTY TRANSACTIONS (Continued)

(f) Other related-party transactions (Continued)

(iii) Buy-out dealership of steel products

The amounts of buy-out dealership of steel products from Angang Putian and Anling Steel were RMB 29 million and RMB 50 million respectively.

(iv) Acquisition of assets

The Company acquired Equipment Overhaul Association and Manufacture Association for RMB 8 million.

(v) Loan, deposit and interest payment to Angang Finance

Items	Annual interest rate	Opening balance	Increased	Decreased	Closing balance	Terms of credit
Loan	5.40-5.904	4,900	6,411	9,600	1,711	Credit and Guarantee Loan
Deposit		543			768	

In 2013, the Group's interest income of deposit in Angang finance was RMB 7 million (for the year end 2012: RMB 7 million) and the interest payment for loans from was Angang finance was RMB 171 million (for the year end 2012: RMB 314 million). The highest daily deposit in Angang Finance in 2013 was RMB 5,795 million (for the years end 2012: 5,418 million).

(vi) 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 loan in 2013 was RMB 31 million (for the year 2012 was RMB 193 million).

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) BALANCES OF RELATED-PARTY TRANSACTIONS

(a) Accounts receivable and prepayments

Items	Closing balance	Opening balance
Accounts receivable		
Angang Trade	675	713
Anling Steel	384	14
TKAS-SSC	108	126
Angang Construction Group	21	
Anshan Jidong Cement Co., Ltd	13	
Pangang Steel Chengdu Steel Vanadium Co., Ltd	3	
Angang Engineering Technology Co., Ltd		2
Angang Holding		1
Other Related Parties	1	2
Total	1,205	858
Prepayment		
Angang Trade	2,063	2,360
Angang Engineering Technology Co., Ltd	108	8
Anling Steel	92	89
Pangang Steel Metallurgical Engineering Technology Co., Ltd	26	
Angang Construction Group	26	39
Angang Heavy Machine Co., Ltd	12	
Angang Mining Construction Co.	7	1
Pangang Steel Chengdu Steel Vanadium Co., Ltd	18	
Total	2,352	2,497
Other receivables		
Angang Construction Group	1	1
Angang Trade		5
Anling Steel		51
Total	1	57

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) BALANCES OF RELATED-PARTY TRANSACTIONS (Continued)

(b) Accounts payable and receivables in advance

Items	Closing balance	Opening balance
Account payables		
Angang Trade	8,783	31
Angang Construction Group	43	15
Angang Entity Group	40	21
Angang Heavy Machine Co., Ltd	22	14
ANSC-Dachuan	17	
Angang Mining Construction Co.	15	8
Anling Steel	12	12
Angang Automatism Co	9	6
Angang Electric Co., Ltd	8	3
Angang Real Estate Development Co., Ltd	8	3
Falan Packing	8	13
Angang Auto Transport Co., Ltd	7	12
Angang Holding	6	8
Angang Mining Co	5	
Angang Railway Transport Facilities Construction Co.	3	7
Angang Steel Rope Co., Ltd.	3	3
Angang Engineering Technology Co., Ltd	1	
Other Related Parties		1
Total	8,990	157
Advances from customers		
ANSC-TKS	61	64
Angang Steel Rope Co., Ltd.	9	1
Angang Mining Co	9	7
Angang Construction Group	1	7
Angang Entity Group	6	6
Falan Packing	6	13
Angang Holding	10	9
Changchun FAM	11	7
TKAS	18	12
Tianjing Tiantie	59	
Other Related Parties		1
Total	190	127

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(6) BALANCES OF RELATED-PARTY TRANSACTIONS *(Continued)*

(b) Accounts payable and receivables in advance *(Continued)*

Items	Closing balance	Opening balance
Other payables		
Angang Holding	366	371
Angang Engineering Technology Co., Ltd	121	245
Angang Construction Group	79	184
Angang Trade	39	185
Angang Automatism Co.	32	38
Angang Mine Construction Co.	23	59
Angang Entity Group	22	25
Angang Heavy Machine Co., Ltd	11	12
Angang Auto Transport Co., Ltd	6	6
Angang Electric Co., Ltd	5	11
Angang Real Estate Development Co., Ltd	3	6
Angang Railway Transport Facilities Construction Co.	1	
Binhai Industry		11
Other Related Parties	4	1
Total	712	1,154

10. SHARE-BASED PAYMENT

No share-based payment needs to be disclosed as at Dec.31, 2013.

11. CONTINGENCIES

No contingencies need to be disclosed as at Dec.31, 2013.

12. COMMITMENTS

(1) SIGNIFICANT COMMITMENTS

Items	2013	2012
Investment contracts entered but not performed yet or performed partially	1,402	353
Construction and renovation contracts entered but not performed yet or performed partially	3,022	1,206
Total	4,424	1,559

(2) PERFORMANCE OF THE COMMITMENT IN PREVIOUS YEARS

The Group's capital commitment has been fulfilled according to commitment of previous years up to the Dec. 31, 2013.

13. SUBSEQUENT EVENTS

No subsequent events need to be disclosed as at Dec.31, 2013.

14. OTHER SIGNIFICANT INSTRUCTIONS

In Jan. and Feb. 2014, the Ministry of Finance of China successively released or revised a series of accounting standards including:

- Accounting Standards for Business Enterprises No. 9- Payrolls (2014);
- Accounting Standards for Business Enterprises No.30- Presentation of Financial Reporting and Disclosure (2014);
- Accounting Standards for Business Enterprises No. 33-Consolidated Financial Statements (2014);
- Accounting Standards for Business Enterprises No. 39-Fair Value Measurement;
- Accounting Standards for Business Enterprises No. 40-Arrangement of Joint Venture.

Hereinafter referred to as the New ASBE, and New ASBE will take effect from July 1, 2014.

The Group has not implemented the New ASBE in advance; assuming that the Group started to implement the New ASBE in the financial year of 2013, there would be no significant impact on the financial position as at Dec.31, 2013 and operating outcome for the year end 2013.

15. NOTES TO PARENT'S FINANCIAL STATEMENTS

(1) ACCOUNTS RECEIVABLE

(a) Nature of accounts receivable

Items	Closing balance			
	Book value Balance	Percentage (%)	Bad debt provision Balance	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	2,894	93		
Other accounts receivable with insignificant single amount subject to individual impairment	208	7		
Total	3,102	100		

Type	Opening balance			
	Book value Balance	Percentage (%)	Bad debt provision Balance	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	2,020	86		
Other accounts receivable with insignificant single amount subject to individual impairment	338	14	3	1
Total	2,358	100	3	1

Note: The 32% increase in accounts receivable during this year as compared with last year was mainly due to the significant growth of spot sales to subsidiaries of Angang Groyp Corporation in order to survive from steel market downturn.

(b) Aging analysis of accounts receivable

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,096	100	2,341	99
1 to 2 years	5		15	1
2 to 3 years				
Over 3 years	1		2	
Total	3,102	100	2,358	100

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

(1) ACCOUNTS RECEIVABLE (Continued)

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

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 year is disclosed as follows:

Debtor	Closing balance		Opening balance	
	Balance	Bad debt provision	Balance	Bad debt provision
Anshan Iron & Steel Group Company			1	
Total			1	

- (e) As at 31 Dec. 2013, the top five debtors are same as Note 7 (3) (e).

- (f) Related party transactions are disclosed as follows:

Item	Closing balance	Opening balance
Angang Trade	675	713
Anling Steel	384	14
Shenyang Trading	383	273
Shanghai Trading	164	
Angang Shanghai	158	25
ANSC-Changchun	108	126
Chengdu Trading	105	84
Tianjin Trading	87	
Guangzhou Trading	73	77
Angang Guangzhou	44	
Angang Hefei	41	
Angang Construction Co., Ltd	21	
Angang Tianjin	17	7
Anshan Jidong cement Co., Ltd	13	
Pangang Chengdu Co., Ltd	3	
Angang Weifang	2	10
Angang Electric Co., Ltd	1	1
Angang Shenyang		3
Angang Holding		1
Others	1	2
Total	2,280	1,336

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				
Other receivables with insignificant single amount subject to individual impairment	17	100		
Total	17	100		

Type	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Other receivables with significant single amount subject to individual impairment	52	83		
Other receivables with insignificant single amount subject to individual impairment	11	17		
Total	63	100		

Note: The 73% decrease in other receivables during this year as compared with last year was mainly due to the fact that Angang Steel received RMB 51 million from Anling Steel this year.

(b) Aging of other receivables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	7	41	53	84
1 to 2 years			8	13
2 to 3 years	10	59	2	3
Total	17	100	63	100

15. NOTES TO PARENT'S FINANCIAL STATEMENTS *(Continued)*

(2) OTHER RECEIVABLES *(Continued)*

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

The management believed 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 year.

- (e) Related party transactions are disclosed as follows:

Item	Closing balance	Opening balance
Anling Steel		51
Total		51

(3) LONG-TERM EQUITY INVESTMENTS

- (a) Types of long-term equity investments

Type	Opening balance	Increase of the year	Decrease of the year	Closing balance
Investments in subsidiaries	3,425	222	3,060	587
Investments in joint ventures	1,616	435	415	1,636
Investments in associates	626	173	1	798
Other equity investments	463	231		694
Less: Provision for impairment of long-term equity investments				
	6,130	1,061	3,476	3,715

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

(3) LONG-TERM EQUITY INVESTMENTS (Continued)

(b) Details of long-term equity investments

Investee	Accounting method	Initial investment cost	Opening balance	Changes of the year	Closing balance
Angang Wuhan	Cost method	108	108		108
Angang Hefei	Cost method	98	98		98
Angang Guangzhou	Cost method	60	20	40	60
Shenyang Trading	Cost method	23	3	20	23
Shanghai Trading	Cost method	6	3	3	6
Tianjin Trading	Cost method	6	3	3	6
Chengdu Trading	Cost method	1	3	(2)	1
Guangzhou Trading	Cost method	18	3	15	18
Angang Shenyang	Cost method	98	104	(6)	98
Angang Weifang	Cost method	1	3	(2)	1
Angang Shanghai	Cost method	19	5	14	19
Angang Tianjin	Cost method	27	22	5	27
Angang Dalian	Cost method	110		110	110
Ningbo Trading	Cost method	6		6	6
Yantai Trading	Cost method	6		6	6
ANSC-Dalian	Equity method	533	1,254	(3)	1,251
ANSC-Dachuan	Equity method	190	224		224
Changchun FAM	Equity method	45	86	9	95
ANSC-Changchun	Equity method	48	52	14	66
TKAS	Equity method	37	57	21	78
Entity Strip	Equity method	11	5		5
Angang Finance	Equity method	315	563	79	642
Iron Oxide Powder	Equity method	1	1	(1)	
Nansha Logistics	Equity method	73		73	73
Angang Putian	Cost method		1,200	(1,200)	
WISDRI	Cost method	35	35		35
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	69	23	46	69
Guoqi Lightweight	Cost method	3	3		3
Tianjin Tiantie	Cost method	185	1,850	(1,665)	185
Total			6,130	(2,415)	3,715

15. NOTES TO PARENT'S FINANCIAL STATEMENTS *(Continued)*

(3) LONG-TERM EQUITY INVESTMENTS *(Continued)*

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

Investee	Proportion of Shareholding (%)	Proportion of voting-rights (%)	Difference between proportions of voting-rights and shareholding	Impairment	Impairment made this year	Cash dividends
Angang Wuhan	100	100				
Angang Hefei	100	100				
Angang Guangzhou	75	75				
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				
Ningbo Trading	100	100				
Yantai Trading	100	100				
ANSC-Dalian	50	50				400
ANSC-Dachuan	50	50				
Changchun FAM	50	50				
ANSC-Changchun	50	50				
TKAS	45	45				
Entity Strip	30	30				
Angang Finance	20	20				
Iron Oxide Powder	30	30				
Nansha Logistics	45	45				
Angang Putian						
WISDRI	6	6				
Longmay Group	1	1				
Falan Packing	15	15				1
Dalian Shipyard	15	15				
China Shipbuilding	10	10				
Dalian Steel	15	15				
Guoqi Lightweight	7	7				
Tianjin Tiantie	5	5				
Total						401

15. NOTES TO PARENT'S FINANCIAL STATEMENTS *(Continued)*

(4) OPERATING INCOME AND OPERATING COST

(a) Operating income and operating cost

Items	This year	Last year
Operating income from main business	75,347	76,053
Other operating income	228	44
Total	75,575	76,097
Operating cost for main business	67,085	73,462
Other operating cost	154	42
Total	67,239	73,504

(b) Main business by industry

Industry nature	This year		Last year	
	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	75,347	67,085	76,053	73,462
Total	75,347	67,085	76,053	73,462

(c) Main business by products

Product types	This year		Last year	
	Operating income from main business	Operating cost for main business	Operating income from main business	Operating cost for main business
Hot-rolled products	26,611	24,125	28,398	27,761
Cold-rolled products	26,840	22,704	26,708	25,264
Medium-thick plates	9,127	8,330	9,405	8,974
Others	12,769	11,926	11,542	11,464
Total	75,347	67,085	76,053	73,463

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

(4) OPERATING INCOME AND OPERATING COST (Continued)

(d) Operating income by regions

Regions	This year		Last year	
	Operating income	Operating cost	Operating income	Operating cost
China	68,739	60,787	68,598	66,250
Overseas	6,836	6,452	7,499	7,254
Total	75,575	67,239	76,097	73,504

(e) Top five customers

Period	Income from top five customers	Proportion (%)
This year	14,406	19
Last year	10,720	14

(5) INVESTMENT INCOME

(a) Details of investment income

Items	This year	Last year
Long-term equity investment income measured at cost method	1	17
Long-term equity investment income measured at equity method	533	403
Investment income from disposal of long-term equity investments	(590)	
Total	(56)	420

Note: The decrease in investment income during this year as compared with last year was mainly due to investment loss from the disposal of subsidiary Tianjin Tiantie.

15. NOTES TO PARENT'S FINANCIAL STATEMENTS *(Continued)*

(5) INVESTMENT INCOME *(Continued)*

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

Investee	This year	Last year
Falan Packing	1	1
WISDRI		7
Shanghai Trading		6
LongmayGroup		2
Angang Shenyang		1
Total	1	17

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

Investee	This year	Last year
ANSC-Dalian	416	282
Angang Finance	79	78
TKAS	21	16
ANSC-Changchun	9	12
Changchun FAM	8	10
ANSC-Dachuan		5
Total	533	403

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

(6) SUPPLEMENT TO CASH FLOW STATEMENT

Items	This year	Last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	232	(3,731)
Add: Provision for impairment	208	(348)
Depreciation of fixed assets	4,067	5,288
Amortization of intangible assets	160	153
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	47	9
Loss on the change of fair value		
Financial expenses	1,183	1,657
Investment loss	56	(420)
Decrease in deferred tax assets ("- " for increase)		(939)
Increase in deferred tax liabilities ("- " for decrease)	(3)	(3)
Decrease in inventories ("- " for increase)	(1,568)	3,552
Decrease in operating receivables ("- " for increase)	(2,378)	(2,678)
Increase in operating payables ("- " for decrease)	7,904	(286)
Others	(37)	19
Net cash inflow from operating activities	9,871	2,253
2. Change in cash and cash equivalents		
Cash at the end of the year	873	1,620
Less: Cash at the beginning of the year	1,620	1,238
Add: Cash equivalents at the end of the year		
Less: Cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	(747)	382

16. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	29,299	28,958
Less: current liabilities	37,805	45,096
Net current assets/(liabilities)	(8,506)	(16,138)

17. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	92,865	103,337
Less: current liabilities	37,805	45,096
Total assets less current liabilities	55,060	58,241

18. SUPPLEMENTARY DOCUMENTS**(1) NON-RECURRING GAINS AND LOSSES**

Items	This year	Last year
Gains/losses from disposal of non-current assets	(9)	11
Government grant which recorded into profit/loss of current year except that relevant to enterprise operation and in compliance with government policies	113	63
Net profit or loss generated by merging subsidiaries by business combination under common control from the beginning of the year to the combination date	(2)	
Other operating income/loss	(2)	(4)
Other Non-recurring gains/losses		
subtotal	100	70
Effect on taxation	25	18
Effect on minority interest (after tax)		
Total	75	52

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 year	Weighted average (ROE)	EPS (RMB Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shares	1.64	0.106	0.106
Net profit (exclusive of non-operating gains and losses attributable to ordinary shares)	1.48	0.096	0.096

Note:

- (i) Weighted average ROE = $P_0 / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$

P₀ refers to the net profit attributable to ordinary shares and net profit (exclusive of non-operating profit) attributable to ordinary shares

NP refers to the net profit attributable to ordinary shares

E₀ refers to the net assets attributable to ordinary shares

E_i refers to the additional of net assets attributable to ordinary shares resulted from issuing the new shares or converting from convertible debentures in 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

M₀ refers to the months of reporting period.

M_i refers to the duration from the second month since the additional of share capital occurred to the end of reporting period

M_j refers to the duration from the second month since the share capital withdrawn occurred to the end of reporting period

E_k refers to the change of net assets resulted from other transaction and matters

M_k refers to the duration from the second month since the variation of net assets resulted from other transaction and matters occurred to the end of reporting period

- (ii) Basic EPS and Diluted EPS disclosed in Note 7(45)

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

Items on cash flow statement

- (i) Compared with RMB2,568 million of the last year, the net cash inflow from operating activities of this year was RMB10,563 million. This significant increase is mainly due to savings from product purchase and service payments.
- (ii) Compared with RMB2,822 million of the last year, the net cash outflow from investing activities of this year was RMB2,590 million. This decline is mainly due to the increase of cash received from investment income.
- (iii) Compared with RMB817 million inflow of the last year, the net cash outflow from financing activities this year was RMB9,970 million. This is mainly because the cash received from loans cannot compensate liability payment of loans.

Five-Year Summary

31 December 2013
(Expressed in million RMB
unless otherwise indicated)

Unit: RMB' millions

	2013	2012	2011	2010	2009
Operating revenue	75,329	78,214	91,289	92,431	70,126
Net (loss)/profit	755	(4,252)	(2,159)	1,950	686
Total assets	92,865	103,337	105,013	105,114	100,987
Total liabilities	(45,775)	(54,304)	(51,841)	(49,769)	(47,189)
Net assets	47,090	49,033	53,172	55,345	53,798

Other Relevant Corporate Information

INCORPORATION:

	Date of incorporation	Place of incorporation	Registration number of legal person business license held by the Company	Taxation registration number	Organisation code
Initial incorporation	8 May 1997	396 Nan Zhong Hua Road, Tie Dong District, Anshan City, Liaoning Province	Qi Gu Han Zong Zi No. 00344	210302242669479	24266947-9
Incorporation as at the end of the Reporting Period	11 March 2008	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC	210000400006026	210302242669479	24266947-9

Changes in the main business of the Company since the Company's Listing None

Changes of the Controlling Shareholder of the Company None

AUDITOR:

Name of auditor: Ruihua Certified Public Accountants
(Special General Partnership)
Place of business of auditor: 3-9 F, China Overseas Property Plaza, Xi Binhe Road,
Yong Ding Men, Dong Cheng District, Beijing, China

BUSINESS ADDRESS OF THE COMPANY IN HONG KONG:

33rd Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

“Angang Dalian”	Angang Steel Processing & Distribution (Dalian) Co., Ltd.* (鞍鋼鋼材加工配送(大連)有限公司);
“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 Financial Company” or “Angang Finance”	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 Guangzhou”	Guangzhou Angang Steel Processing Co., Ltd.* (廣州鞍鋼鋼材加工有限公司);
“Angang Hefei”	Angang Steel Distribution (Hefei) Co., Ltd.* (鞍鋼鋼材配送(合肥)有限公司);
“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 67.80% of the equity interest of the Company and a major enterprise in the iron and steel industry of the PRC;
“Angang Holding Group”	Angang Holding and its subsidiaries;
“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 Shenyang”	TKAS Angang Shenyang Steel Product Processing and Distribution Group Limited* (鞍鋼瀋陽鋼材加工配送有限公司);
“Angang Shanghai”	Shanghai Angang Steel Processing Co., Ltd.* (上海鞍鋼鋼材加工有限公司);
“Angang Tianjin”	Tianjin Angang Steel Product Processing and Distribution Co., Ltd.* (天津鞍鋼鋼材加工配送有限公司);
“Angang Tiantie”	Tianjin Angang Tiantie Cold Rolled Sheets Co. Limited* (天津鞍鋼天鐵冷軋薄板有限公司);

Definitions *(continued)*

“Angang Trade”	Angang Group International Economic Trading Corporation* (鞍鋼集團國際經濟貿易公司);
“Angang Weifang”	Weifang Angang Steel Processing And Distribution Co., Ltd.* (鞍鋼濰坊鋼材加工配送有限公司);
“Angang Wuhan”	Angang Steel Distribution (Wuhan) Co., Ltd.* (鞍鋼鋼材配送(武漢)有限公司);
“Anqian Mining”	Angang Group Anqian Mining Company Limited* (鞍鋼集團鞍千礦業有限責任公司), a company incorporated in the PRC and a wholly-owned subsidiary of Pangang Vanadium & Titanium;
“ANSC-Dachuan”	ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Co., Ltd.* (鞍鋼股份 — 大船重工大連鋼材加工配送有限公司);
“ANSC-TKS”	ANSC-TKS Galvanizing Co., Ltd.* (鞍鋼新軋 — 蒂森克虜伯鍍鋅鋼板有限公司);
“ANSI”	Angang New Steel and Iron Company Limited* (鞍鋼集團新鋼鐵有限責任公司), the former wholly-owned subsidiary of Angang Holding. In January 2006, the Company acquired the 100% equity interests of ANSI held by Angang Holding and cancelled the business registration of ANSI;
“Assets of the Domestic Trade Business of Angang Trade”	the entire capital assets of the domestic trade business of Angang Trade (consisting nine subsidiary companies) which were transferred to the Company in pursuant to the Assets Exchange Agreement dated 20 November 2012;
“associate”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Board”	the board of Directors;
“Chengdu Trade”	Chengdu Angang International Trade Co., Ltd.* (成都鞍鋼國際貿易有限公司);
“Changchun FAM”	Changchun FAM Steel Processing and Distribution Co., Ltd.* (長春一汽鞍井鋼材加工配送有限公司);

Definitions *(continued)*

“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;
“Guangzhou Trade”	Guangzhou Angang International Trade Co., Ltd.* (廣州鞍鋼國際貿易有限公司);
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“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;
“Ningbo Trade”	Ningbo Angang International Trade Co., Ltd.* (寧波鞍鋼國際貿易有限公司);
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團鋼鐵鈦股份有限公司), a company incorporated in the PRC with shares listed on the Shenzhen Stock Exchange;
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries;

Definitions *(continued)*

“PRC”	the People’s Republic of China (for the purpose of this annual report, excluding Hong Kong and Macau Special Administrative Region);
“PRC ASBE”	Accounting Standards for Business Enterprises - Basic Standard and 38 Specific Standards issued by the Ministry of Finance of the PRC, and application guidance, bulletins and other relevant accounting regulations issued thereafter, collectively;
“Reporting Period”	the 12-month period from 1 January 2013 to 31 December 2013;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong);
“Supervisor(s)”	member(s) of the Supervisory Committee;
“Supervisory Committee”	the supervisory committee of the Company;
“Shanghai Trade”	Shanghai Angang International Trade Co., Ltd.* (上海鞍鋼國際貿易有限公司);
“Shenyang Trade”	Shenyang Angang International Trade Co., Ltd.* (瀋陽鞍鋼國際貿易有限公司);
“Tianjin Trade”	Tianjin Angang North International Trade Co., Ltd.* (天津鞍鋼國際北方貿易有限公司);
“TKAS”	ANSC-TKS (Changchun) Tailored Blanks Ltd.* (蒂森克虜伯鞍鋼(長春)激光拼焊板有限公司);
“TKAS-SSC”	ANSC-TKS Changchun Steel Logistics Co., Ltd.* (鞍鋼蒂森克虜伯鋼材配送(長春)有限公司);
“Yantai Trade”	Yantai Angang International Trade Co., Ltd (煙台鞍鋼國際貿易有限公司); and
“%”	per cent.

* For identification purpose only

Documents Available for Inspection

1. Financial statements signed by the Legal Representative, Chief Accountant and Comptroller of the Company and with seal affixed;
2. Original of the auditor's report sealed by the accounting firm and signed and sealed by certified public accountants;
3. Originals of all documents and manuscripts of announcements disclosed by the Company in the China Securities Journal and the Securities Times in 2013; and
4. Annual report of the Company submitted to the Hong Kong Stock Exchange.

The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited* situated at Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC.

Angang Steel Company Limited*
The Board

28 March 2014

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

