



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

(Stock Code : 0347)

2014

Interim
Report



* For identification purposes only



Contents

228	Documents Available for Inspection
56	Financial Statements
55	Directors, Supervisors and Senior Management
51	Movements in Share Capital and Shareholding of Substantial Shareholders
33	Significant Events
10	Report of the Board of Directors
8	Summary of Accounting Figures and Financial Indicators
6	Corporate Profile
2	Important Notice and Definitions



Important Notice and Definitions

IMPORTANT NOTICE

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

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

The 2014 interim financial report of the Company is unaudited.

The 2014 interim financial report of the Company is prepared in accordance with the Accounting Standards for Business Enterprises in the PRC.

DEFINITIONS

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

- “Angang Financial Company” Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司), a company incorporated in the PRC and a subsidiary of Angang Group Company;
- “Angang Group” Angang Group Company and its subsidiaries in which it holds more than 30% equity interests (excluding the Group);
- “Angang Group Company” Angang Group Company* (鞍鋼集團公司), a company incorporated in the PRC with limited liabilities, the ultimate controlling shareholder of the Company;
- “Angang Holding” Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), the immediate holding company of the Company, which currently holds approximately 67.80% of the equity interest in the Company, and a major enterprise in the iron and steel industry of the PRC;
- “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;
- “Angang Tiantie” Tianjin Angang Tiantie Cold Rolled Sheets Co., Limited* (天津鞍鋼天鐵冷軋薄板有限公司), a company incorporated in Tianjin, the PRC;
- “Angang Trade” Angang Group International Economic Trading Corporation* (鞍鋼集團國際經濟貿易公司), a company incorporated in the PRC and a wholly-owned subsidiary of Anshan Iron & Steel Group Complex*;

Important Notice and Definitions *(continued)*

“ANSC-TKS”	ANSC-TKS Automoblie Steel Company Ltd. (鞍鋼蒂森克虜伯汽車鋼有限公司);
“Board”	the board of Directors of the Company;
“Company”, “Angang Steel”	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 Chapter 14A of the Hong Kong Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under Chapter 1 of the Hong Kong Listing Rules;
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets;
“Director(s)”	the director(s) of the Company;
“EPS”	earnings per share;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited;

“Karara”	Karara Mining Limited (卡拉拉礦業有限公司*), a company incorporated with limited liability in the state of Western Australia, Australia;
“Pangang Vanadium & Titanium”	Pangang Group Vanadium & Titanium Resources Co., Ltd. (攀鋼集團鈮鈦資源股份有限公司), a company incorporated in the PRC with shares listed on the Shenzhen Stock Exchange;
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries;
“PRC”	the People’s Republic of China (for the purpose of this interim report, excluding Hong Kong and Macau Special Administrative Region);
“Reporting Period”	the six-month period from 1 January 2014 to 30 June 2014;
“RMB”	Renminbi, the lawful currency of the PRC;
“Supervisor(s)”	member(s) of the Supervisory Committee;
“Supervisory Committee”	the supervisory committee of the Company; and
“%”	per cent.

I. CORPORATE INFORMATION

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

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities Affairs Representative
Name	Ma Lianyong	Jin Yimin
Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878	0412-8416578
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Email	malianyong@ansteel.com.cn	ansteel@ansteel.com.cn

III. OTHER INFORMATION

1. Contact methods of the Company

There was no change in registered address, business address and postal code, website and email address of the Company during the Reporting Period. Please refer to 2013 Annual Report of the Company for details.

2. Information disclosure and place for inspection

There was no change in Company's designated newspapers for disclosure of information, website for publication of interim report designated by the CSRC and place for inspection of the Company's interim report during the Reporting Period. Please refer to 2013 Annual Report of the Company for details.

3. Changes in registration

There was no change in registration date and place of incorporation, registration number of legal person business license held by the Company, taxation registration number and organization code during the Reporting Period. Please refer to 2013 Annual Report of the Company for details.

4. Other relevant information

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

Summary of Accounting Figures and Financial Indicators

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP

Unit: RMB' million

	During the Reporting Period (from January to June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared with the corresponding period of the previous year (%)
Operating income	38,177	36,922	3.40
Net profit attributable to the shareholders of the listed company	577	702	-17.81
Net profit attributable to the shareholders of the listed company after non-recurring items	544	635	-14.33
Basic earnings per share (RMB Yuan/share)	0.080	0.097	-17.53
Diluted earnings per share (RMB Yuan/share)	0.080	0.097	-17.53
Returns on net assets on weighted average basis (%)	1.22	1.50	Decreased by 0.28 percentage point
Net cash flow from operating activities	1,385	10,663	-87.01
	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease as at the end of the Reporting Period as compared with the end of the previous year (%)
Total assets	91,286	92,865	-1.70
Equity (or shareholders' equity) attributable to the shareholders of the listed company	47,427	47,026	0.85

II. NON-RECURRING ITEMS:

No.	Items	Effect on profit <i>(RMB million)</i>
1	Gains/losses from disposal of non-current assets	-13
2	Government subsidies (except for government subsidies which are closely related to the Company's operations and entitled in fixed amount or quantity in conformity with the standards of the State) attributable to gains or losses for the period	60
3	Other non-operating income and expenses apart from those stated above	-3
4	Subtotal	44
5	Less: effect of income tax	11
6	Effect of extraordinary gains and losses on net profit	33

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

I. SUMMARY

In the first half of 2014, amid the slowdown of domestic economic growth, there was still an aggravated mismatch between the supply and demand in the iron and steel industry with weakness in the price of steel products. In face of the challenging market conditions, the Company reaffirmed its basis of cost reduction and efficiency enhancement, optimised production structure, and operated steadily and efficiently as a whole; advanced the scientific research and development, refined its products portfolio and improved the supervision of quality; enhanced the marketing and opened up new dimension in marketing; innovated the mode of procurement, and enhanced the adaptability to changes in the market; strengthened the management of energy, and pressed ahead the efficient use of energy; hence has satisfactorily reached the Company's target on production and operation in the first half of the year.

In the first half of 2014, the Company achieved net profit attributable to the shareholders of the Company of RMB577 million, representing a decrease of 17.81% as compared with the corresponding period of the previous year. Basic profit per share was RMB0.08, representing a decrease of 17.53% as compared with the corresponding period of the previous year.

II. ANALYSIS OF PRINCIPAL BUSINESS

1. Overview

During the Reporting Period, the Group achieved an operating revenue of RMB38,177 million, representing an increase of 3.4% as compared with the corresponding period of the previous year. The operating cost was RMB34,154 million, representing an increase of 5.34% as compared with the corresponding period of the previous year. The Group also achieved the operating profit of RMB774 million and total profit of RMB818 million, representing an increase of 33.91% and 29.43% as compared with the corresponding period of the previous year, respectively. Net profit of RMB577 million and net profit attributable to the shareholders of the Company of RMB577 million, representing a decrease of 16.13% and 17.81% as compared with the corresponding period of the previous year, respectively.

Unit: RMB' million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Operating income	38,177	36,922	3.40	Note 1
Operating costs	34,154	32,423	5.34	Note 2
Marketing expenses	1,034	790	30.89	Note 3
Administrative expenses	831	1,744	-52.35	Note 4
Financial expenses	679	707	-3.96	Note 5
Income tax expenses	241	-56	530.36	Note 6
Investment Income	405	284	42.61	Note 7
Net cash flow from operating activities	1,385	10,663	-87.01	Note 8
Net cash flow from investing activities	-1,378	161	-955.90	Note 9
Net cash flow from financing activities	81	-10,980	100.74	Note 10
Net increase of cash and cash equivalents	88	-156	156.41	Note 11

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

1. Overview *(Continued)*

Notes:

- (1) Operating income increased by RMB1,255 million as compared with the corresponding period of the previous year, mainly attributable to the increase in sales of steel products.
- (2) The operating costs increased by RMB1,731 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in sales of steel products; and (ii) part of costs classified into manufacturing costs due to a further streamlined analysis of the relevance between maintenance costs and production conducted by the Company.
- (3) Marketing expenses increased by RMB244 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 settlement with users by CIF prices as part of the Company's efforts in optimising its logistics management.
- (4) Administrative expenses decreased by RMB913 million as compared with the corresponding period of the previous year, mainly attributable to part of costs classified into manufacturing costs due to a further streamlined analysis of the relevance between maintenance costs and production conducted by the Company, which contributed to a reduction in administrative expenses as compared with the corresponding period of the previous year.
- (5) Financial expenses decreased by RMB28 million as compared with the corresponding period of the previous year, mainly attributable to the fact that the Company controlled financial expenses by taking measures of trade financing for import and export in settling its transactions; duly discounted the bills at a discount rate below the benchmark of loan interest rate; and measures such as systematic capital planning, minimising stock of cash at banks and on hand, and issuing the domestic letter of credit, which led to a reduction in financial expenses as compared with the corresponding period of the previous year.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

1. Overview *(Continued)*

Notes: *(Continued)*

- (6) The income tax expenses increased by RMB297 million as compared with the corresponding period of the previous year, mainly attributable to the analysis and adjustment of deferred income tax subject to the taxable income of the Company.
- (7) Investment income increased by RMB121 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in dividend declared by WISDRI Engineering and Research Incorporation in the Reporting Period, an associate of the Company; and (ii) the increase in net profit for the period of ANSC-TKS, a joint venture of the Company.
- (8) Net cash flow from operating activities decreased by RMB9,278 million as compared with the corresponding period of the previous year, mainly attributable to the fact that firstly the Company has commenced the business of documentary bills for imported raw materials and fuel for a term of six months since February last year. The payment of imported raw materials and fuel were adjusted from prepayment to payable, thus reducing cash outflow of the purchase of goods and services as compared with the corresponding period of the previous year. Moreover, the Company started to repay the inward documentary bills in revolving batches since August last year, and the cash level on the purchase of goods and services was back to normal. Secondly, the scale of production and sales expanded led to an increase in the amount of procurement.
- (9) Net cash flow from investing activities decreased by RMB1,539 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in cash paid for investment and the increase in cash paid for acquisition and construction of fixed assets and construction in progress and (ii) net cash amounted to RMB844 million was received from assets exchange and share transfer transaction of the Company in the corresponding period of the previous year.
- (10) Net cash flow from financing activities increased by RMB11,061 million as compared with the corresponding period of the previous year, mainly due to the fact that cash repaid for loans in the current period was less than that of the same period of the previous year.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

1. Overview *(Continued)*

Notes: (Continued)

- (11) Net increase of cash and cash equivalents increased by RMB244 million, mainly due to (i) decrease of RMB9,278 million in the net cash inflow from operating activities over the corresponding period of the previous year caused by the increased cash payment for goods procurement and labour services in the current period; (ii) the decrease of RMB1,539 million in net cash flow from investing activities over the corresponding period of the previous year caused by the increase in the cash payment for investment as well as cash paid for acquisition and construction of fixed assets and construction in progress, and the decrease in other cash received from investment activities in the current period; and (iii) the increase of RMB11,061 million in the net cash flows from financing activities as cash repaid for borrowings in the current period was less than cash repaid for loans over the corresponding period of the previous year.

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

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

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

- (1) Optimising production organisation to achieve stable and efficient operation as a whole

During the Reporting Period, the Group produced 10,983,300 tons of iron, 10,852,800 tons of steel and 10,164,200 tons of steel products, representing an increase of 5.43%, 8.38% and 7.48%, respectively, over the corresponding period of the previous year. Sale of steel products amounted to 10,021,400 tons, representing an increase of 9.78% as compared with the corresponding period of the previous year. The Group also achieved a 98.60% sale-to-production ratio for steel products.

In the first half of this year, in face of the ever-changing market conditions, the Company insisted the principle of "priority to benefits and focus on quality survey and improvement" to improve the output from production lines with higher benefits. The efficiency of production and operation was improved by enhancing production coordination, optimising balance of system, improving logistic management, innovating delivery pattern and reducing transportation costs, and thus achieving a steady increase in production scale.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

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

- (2) Adopting innovative procurement model to achieve purchase cost reduction and profit growth

In order to purchase at low prices and avoid high prices, the Company established an assessment system for low-price purchase which allows flexible adjustment on procurement strategy and effectively mitigates cost and inventory risks, contributing to significant decrease in purchase cost. Advantages of differential purchase were given full play while adjusting procurement strategy in a timely manner to obtain initiative in negotiation and thus achieve cost reduction through differential purchase. More efforts were made to explore resources to obtain cost-effective resources while purchase structure was optimised to expand the profit growth points of the Company.

- (3) Vigorously expanding the market with new achievement in marketing

In the first half of the year, the Company facilitated the overall strategic cooperation along the whole industrial chain consisting of production, sales, research and exploitation with strategic users by enhancing technical support and services provided to strategic consumers. In the meantime, the Company continued to strengthen the development of direct users while maintaining cooperation with quality agents. Leveraging on the stable distribution channels and sound financing capacity of agents, the market share of our products were enlarged through entrusted sales and other means.

More efforts were dedicated to exportation by seizing the opportunity of favourable international market. From January to June 2014, the Company recorded sales for export settlement of 1,080,600 tonnes, representing an increase of 314,800 tonnes as compared to the corresponding period of last year.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

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

- (4) Accelerating the development of scientific research with remarkable progress in the ability of independent innovation

The establishment of new products stepped into a good path with continuous improvement by enhancing technical exchange of new products, execution of agreements, undertaking contracts, product design, industrial trial production and volume production, product inspection and delivery as well as follow-up management in users' entire use procedure.

- (5) Optimising system reform and improving operation mechanism

Reform of marketing system was further deepened to set up customer-focused and market-oriented marketing management system and customer services system featured with unified coordination, flexibility, efficiency and personality. With an aim to facilitate effective collaboration of marketing management system and motivate the enthusiasm of sales personnel, objective assessment was adopted in respect of job performance at all level while appraisal mechanism was improved to fully stimulate the initiatives of marketing personnel.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

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

- (5) Optimising system reform and improving operation mechanism *(Continued)*

The Company deepened the reform of supporting system and mechanism regarding quality survey and improvement. In order to implement quality survey and improvement and create an operation management pattern focused on customers and oriented by market, the Company enhanced the adjustment on product portfolio, promoted upgrading and updating of products to achieve high-end oriented and differential. Productivity as well as domestic and international competitiveness of our products were reinforced in a comprehensive manner. Systematic planning and design for supporting system and mechanism regarding quality survey and improvement were carried out. Optimization design was also conducted by the Company in respect of indicators of internal performance assessment while relevant incentive policy was further formulated and improved.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

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

- (6) Enhancing financial management to continuously improve enterprise capital performance

The Company deepened the cost management efforts to improve cost competitiveness. Research was conducted on tackling specialized cost problems by analysis on specialized cost calculation, specialized structure and systematic cost analysis, so as to identify the key problems and adopt effective measures. Quality cost accounting and analysis was carried out in details while stricter control was made over the key problems to reduce the loss of quality cost and enhance the guidance of quality cost review in a continuous manner.

The Company took precautions against funding risk to improve capital performance. Documentary letter of credit payment business and import and export bill for low-cost financing business continued to be promoted by consolidating and broadening financial channels as well as expanding the scope of cooperation with financial institutions. Internal control was strengthened to reduce the occupancy of stock capital, proceeds from notes as well as inflow and outflow, which released the financial pressure of the enterprise.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

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

- (7) Focusing on energy conservation and environmental protection to facilitate the sustainable and sound development

The implementation of energy saving projects was carried forward to effectively utilise energy. Great efforts were made to promote the implementation of energy saving projects by enhancing the energy base management in an in-depth manner to improve the efficiency. Firstly, refined management on energy was strengthened. Tiered pricing was first applied to water and steam while works regarding water and steam conservation were facilitated with guidance. Secondly, management on recycling and utilising residual energy and heat was tightened. With the utilisation of Top Pressure Recovery Turbine ("TRT") of blast furnace generating power, the recycling rate of converter gas was significant improved. Thirdly, a series of energy saving projects was conducted by leveraging the advanced energy conservation technology, which improved the overall efficiency and significantly increased the power generated by using residual energy.

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

4. Liquidity and Financial Resources

As at 30 June 2014, the Group had long-term loans of RMB1,744 million (exclusive of loans due within one year) with interest rates ranging from 5.535% to 6.4% per annum. Under the terms of three to twenty-five years, the loans will expire during the period from 2015 to 2018. The loans are mainly used for replenishing working capital. The Group's long-term loans due within one year amounted to RMB1,801 million.

In 2014, with good credibility, the Group was reviewed and rated by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) with a long-term credit rating of "AAA". Therefore, the Group is capable of repaying its debts when they become due.

As at 30 June 2014, the Group had a capital commitment of RMB5,730 million, which was primarily attributable to the construction and renovation contracts and the external investment contracts, which were entered into but not performed or partially performed.

5. Foreign Exchange Risk

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

II. ANALYSIS OF PRINCIPAL BUSINESS *(CONTINUED)*

6. Gearing ratio

As at 30 June 2014, the Group's ratio of equity to liability was 1.08 times and the figure was 1.03 times as at 31 December 2013.

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

8. Contingent liabilities

As of 30 June 2014, the Group had no contingent liabilities.

III. COMPOSITION OF THE PRINCIPAL BUSINESSES

Principal businesses of the Group by industry and products

Unit: RMB' million

	Operating income	Operating cost	Gross profit margin (%)	Increase/ decrease in operating income as compared with the corresponding period of the previous year (%)	Increase/ decrease in operating cost as compared with the corresponding period of the previous year (%)	Increase/ decrease in gross profit margin as compared with the corresponding period of the previous year (Percentage point)
By industry						
Steel pressing and processing industry	37,961	34,015	10.39	2.91	5.00	-1.79
By products						
Hot-rolled sheets products	12,615	11,992	4.94	-2.72	2.02	-4.41
Cold-rolled sheets products	12,788	10,850	15.15	-3.63	-1.22	-2.08
Medium and thick plates	5,343	4,735	11.38	21.74	23.69	-1.40

III. COMPOSITION OF THE PRINCIPAL BUSINESSES *(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 significant decrease in the prices of steel products. Despite the increase in sales volume of products, it was not enough to set off the decreased operating income due to the decline of price. The increase in operating cost was mainly attributable to the increase in the sales volume of products. The Company continued to carried forward cost reduction and efficiency enhancement. Great efforts were made to cut down processing cost and expenditures to reduce unit cost of operation. However, the increased sales of products resulted in the increase in the total operating cost. The decrease in gross profit margin was mainly due to the fact that the decrease in product price was more than the decrease in per unit cost of product.
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 the decrease in the prices of products. The decrease in operating cost was mainly due to: (i) the Company pressed ahead with streamline production management while tackling key problems on special technique for each procedure of process to improve economic and technical indicators and reduce processing costs and (ii) the decrease in price of crude fuel. The decrease in gross profit margin was primarily attributable to the fact that the decrease in product price was more than the decrease in operating cost.
3. The increase in operating income and cost of medium and thick plates over the corresponding period of the previous year was mainly due to the increase in sales of products. The decrease in gross profit margin was primarily due to the fact that the decrease in product price was more than the decrease in unit cost of product.

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

Segmental information of operating revenue of the Group by geographical locations

Unit: RMB' million

	Operating revenue from main operation	Increase/ decrease in operating revenue from main operation as compared with the corresponding period of previous year (%)
Northeast China	14,709	9.08
North China	2,088	-35.26
East China	9,763	7.87
South China	6,618	-5.13
Central south China	418	-40.71
Northwest China	140	-43.09
Southwest China	72	-34.55
Export sales	4,153	34.40
Total	37,961	2.91

IV. OPERATION PLAN FOR THE SECOND HALF OF THIS YEAR

1. Focus on solving the bottlenecks during the production while increasing equipment support to optimise production balance and achieve stable production and operation.
2. Based on the aim of cost reduction and efficiency enhancement to comprehensively improve the core revenue generating abilities of the enterprise.
3. Further optimise the product structure by speeding up the promotion of new, exclusive and strategic products to improve the profitability of products in a continuous manner.
4. Continue to enhance energy management to intensify energy supervision, promote energy-saving technology and facilitate the management on energy conservation projects.
5. Continue to strengthen marketing and technical services for customers. Quality control will be enhanced throughout the whole process based on the standard required by customers, in a bid to promote the image of the Company.
6. Strengthen the implementation of environmental production by strictly following the state requirements regarding to reduction of pollutant emission, so as to effectively achieve further improvement in environmental indicators.
7. Improve corporate management by deepening the reform, carrying forward with innovation and risks management.

V. ANALYSIS ON THE CORE COMPETITIVENESS

The core competitiveness of the Company had no change in the first half of 2014.

VI. ANALYSIS OF INVESTMENTS

1. External equity investments

(1) External Investments

Investments in the Reporting Period <i>(RMB' million)</i>	Investments in the corresponding period of the previous year <i>(RMB' million)</i>	Change <i>(%)</i>
845	156	442

Targets of investments

Name of Companies	Principal Activities	The Company's Percentage of Interest in Investees <i>(%)</i>
Angang Steel Distribution (Wuhan) Co., Ltd.	Production, process, wholesale and retail of steel and related products	100
Angang Financial Company	Deposit, loans and finance, etc.	20
Shenyang Angang International Trade Co., Ltd.	Sales of metal products and building materials, etc.	100
Shanghai Angang International Trade Co., Ltd.	Wholesale, retail, consignment-sales and purchase services	100
Tianjin Angang North International Trade Co., Ltd.	Purchase and sales of metal materials, etc.	100

VI. ANALYSIS OF INVESTMENTS *(CONTINUED)*

1. External equity investments *(Continued)*

(1) External Investments *(Continued)*

Name of Companies	Principal Activities	The Company's Percentage of Interest in Investees (%)
Guangzhou Angang International Trade Co., Ltd.	Import and export of goods and technology, trade of wholesale and retail	100
Angang Steel Processing and Distribution (Zhengzhou) Co., Ltd.	Process, manufacture, sales and storage of steel and related products, and provision of technology consultation and services	100
Angang Guangzhou Automotive Steel Co., Ltd.	Steel rolling process; production of non-ferrous alloy; production of steel structure; production of steel structural components; metal surface treatment and heat-treatment process	100
Angang Chongqing Gaoqiang Automotive Steel Co., Ltd.	Production and process of galvanized coil and aluminizing coil	50
Shanghai Huagongbao E-Commerce Co., Ltd.	Electronic commerce, as well as wholesale, retail, consignment-sales and purchase of chemical materials and products, etc.	23.08

VI. ANALYSIS OF INVESTMENTS *(CONTINUED)*

1. External equity investments *(Continued)*

(2) Equity in Financial Enterprises held by the Company

Company name	Company type	Initial investment cost <i>(RMB' million)</i>	Number of shares held at the beginning of the Reporting Period <i>(million shares)</i>	Share-holding ratio at the beginning of the Reporting Period <i>(%)</i>	Number of shares held at the end of the Reporting Period <i>(million shares)</i>	Share-holding ratio at the end of the Reporting Period <i>(%)</i>	Investment cost at the end of the Reporting Period <i>(RMB' million)</i>	Book value at the end of the Reporting Period <i>(RMB' million)</i>	Loss or gain during the Reporting Period <i>(RMB' million)</i>	Accounting item	Source of shares
Angang Financial Company	—	315	—	20	—	20	842	1,074	38	Long-term equity investments	Subscription to the additional issuance

(3) Securities Investment

Stock type	Stock code	Abbreviation	Initial investment cost <i>(RMB' million)</i>	Number of shares held at the beginning of the Reporting Period <i>(million shares)</i>	Share-holding ratio at the beginning of the Reporting Period <i>(%)</i>	Number of shares held at the end of the Reporting Period <i>(million shares)</i>	Share-holding ratio at the end of the Reporting Period <i>(%)</i>	Book value at the end of the Reporting Period <i>(RMB' million)</i>	Loss or gain during the Reporting Period <i>(RMB' million)</i>	Accounting item	Source of shares
Shares	600961	Zhuzhou Group (株冶集團)	81	10	1.9	10	1.9	62	—	Available for sale financial assets	Non-public offering

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

VI. ANALYSIS OF INVESTMENTS *(CONTINUED)*

3. Analysis of major subsidiaries and associates

Unit: RMB'million

Name	Type	Industry	Main products or services	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
ANSC-TKS	Sino-foreign cooperative venture	Steel pressing and processing	Production of rolled hot dip galvanised steel products and alloyed steel plate and strip products, sale of self-produced products and provision of after-sale services	USD132 million	2,653	2,328	3,280	596	524
Angang Financial Company	Company with limited liability	Finance	Deposit, lending and financing	2,000	17,707	5,380	475	340	255

VII. THE IMPLEMENTATION OF PROFIT DISTRIBUTION OF THE COMPANY IN THE REPORTING PERIOD

On 4 June 2014, the 2013 annual general meeting of the Company was held in Anshan which considered and approved the profit distribution proposal for the year of 2013. Based on the total share capital of 7,234,807,847 shares, the profit distribution proposal for the year of 2013 was cash dividend of RMB0.27 for every 10 shares. On 30 June 2014, the Company distributed cash dividend to H shareholders and the applicable exchange rate was the average central parity rate of RMB to Hong Kong dollars published by the People's Bank of China for the calendar week immediately prior to the 2013 annual general meeting, i.e. HK\$100 to RMB79.584. The distribution of cash dividend by the Company to H shareholders amounted to HK\$37 million. On 30 June 2014, the Company distributed in aggregate of RMB166 million cash dividend to holders of tradable A shares and holders of state-owned shares. The Company distributed a total of RMB195 million of cash dividend for the year of 2013.

VIII. INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014.

IX. EMPLOYEES

As at 30 June 2014, the Company had 34,751 employees, amongst whom 26,657 were production personnel, 343 were sales personnel, 4,501 were technicians, 288 were accounting personnel and 1,047 were administration personnel. Among the employees of the Company, 8,032 had bachelor's degree or higher, representing 23.11% of the total number of employees; 8,569 employees held diploma, representing 24.66% of the total number of employees and 15,619 employees held the certificates of secondary education, representing 44.95% of the total number of employees.

In the first half of 2014, the Company has arranged for 28,352 employees to attend various training courses and among them, 247 professional technicians attended youth cadres training class and trainings for specific technology in colleges; 638 employees with excellent operating skills attended specific technology and innovation trainings; 27,145 other employees attended training for job-related knowledge and operating skills.

As a result of a series of trainings, the overall quality of employees had been improved continuously, which further enhanced the competitiveness of the Group, and provided extensive talent and intelligence support.

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

X. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, there was no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries.

XI. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

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

XII. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

XIII. AUDIT COMMITTEE

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

The Audit Committee and the management personnel have reviewed the accounting standards, principles and methods adopted by the Company, and considered the relevant audit and internal control, including the unaudited interim financial report for the six months ended 30 June 2014.

SIGNIFICANT EVENTS

I. CORPORATE GOVERNANCE OF THE COMPANY

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

With shares listed on both 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 create return for the shareholders in the long term.

The Company has adopted the code provisions (the “Corporate Governance Code”) set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has periodically reviewed its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code.

II. MATERIAL LITIGATION AND ARBITRATION

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

III. MATTERS QUESTIONED BY MEDIA

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

Significant Events *(continued)*

IV. TRANSACTION IN ASSETS

1. Acquisition of assets

Counterparty or the ultimate controlling party	The acquired or merged assets	Transaction		Impact on the operation of the Company	Impact on the profit or loss of the Company <i>(RMB 0'000)</i>	Percentage of the net profit of the assets disposal in the total net profit of the Company <i>(%)</i>	Whether it is a connected transaction	Connected relationship with the counterparty (applicable to the connected transaction)
		price <i>(RMB 0'000)</i>	Progress					
Angang Holding	Acquisition of the existing part of production instrument of Angang Holding	5,127	Completed	Built a pellet production line in Bayuquan to satisfy the needs of Bayuquan Branch Company, replaced the pellet transported from Anshan Area and lowered the cost.	—	—	Yes	Controlling shareholder

2. Disposal of assets

During the Reporting Period, there was no disposal of assets of the Company.

3. Business combinations

None.

V. MAJOR CONNECTED TRANSACTIONS

1. Connected transactions related to daily operations

- A. Related party: Angang Group
 Connected relationship: 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 (%)
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 Angang Steel Company Limited, in the second month preceding the month of the transaction (T-2). For every one percentage point increase or decrease in the grade of iron concentrate, the price shall be increased or decreased by RMB10/ tonne. A discount equal to 5% of the average import price reported to the PRC customs in the second month preceding the month of the transaction (T-2) months shall apply on the price determined pursuant to the formula set out above. (T stands for the current month)	RMB790/ tonne	2,952	30.83
	Pellet	Market price	RMB936/ tonne	2,768	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 Angang Steel Company Limited.	RMB853/ tonne	1,344	100.00
	Karara magnetite	Single price = reference price + difference of port transportation cost In particular, reference price means that after loading in the place of loading in the corresponding month, the average value of middle price (measured by the amount of cents of USD per dry metric ton) of Platts 65% (applicable to standard products) or 62% (applicable to low standard products) CFR, the north part of China (Qingdao Port) announced daily by SBB Steel Markets Daily ((SBB鋼鐵市場日報)) is divided by 65 (applicable to standard products) or 62 (applicable to low standard products). Difference of port transportation cost: It means the difference of transportation cost of shipping in dry metric ton between applicable products and shipping inventory. The difference of transportation cost of shipping in dry metric ton from Qingdao Port to Bayuquan, Liaoning Province is divided by 65 (applicable to standard products) or 62 (applicable to low standard products).	RMB863/ tonne	383	100.00
	Scrap steel	Market price	—	130	21.46
	Billets		—	136	92.60
	Alloy and non-ferrous metal		—	40	2.32
	Sub-total		—	—	7,753

Significant Events *(continued)*

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

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

A. *(Continued)*

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Procurement of products from the related party	Steel products		RMB3,480/tonne	73	100.00
Procurement of energy and power from the related party	Electricity	State price	RMB0.45/Kwh	796	32.90
	Water	State price	RMB2.1/tonne	22	20.81
	Stream	Cost of production plus gross profit margin of 5%	RMB36.35/GJ	16	100.00
	Sub-total	—	—	834	32.82
Purchase of ancillary products from the related party	Lime stone	Not higher than the selling prices offered by relevant members of Angang Group to independent third parties	RMB55.83/tonne	91	78.26
	Lime powder		RMB406.53/tonne	378	90.26
	Refractory materials		—	292	43.48
	Other ancillary materials		—	166	12.92
	Spare parts		—	200	10.07
	Sub-total		—	—	1,127

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

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

A. *(Continued)*

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Purchase of support services from the related party	Railway transportation service	State price	—	304	54.86
	Road transportation service	Market price	—	271	89.44
	Agency services: Import, export and domestic sales of raw materials, equipment, components and ancillary materials;	Commission not higher than 1.5% (not more than the commissions levied by major state-owned import and export companies of China)	—	61	100.00
	Repair and maintenance of equipment and service	Market price	—	452	64.82
	Design and engineering services		—	482	48.40
	Newspaper and other publications	State price	—	0.3	14.14
	Telecommunication business and services, information system	State price or depreciation plus maintenance costs	—	13	62.55
	Production assistance and maintenance	Expenses of labour, materials and management as paid based on market prices	—	366	65.34
	Welfare assistance and maintenance		—	102	85.82
	Company vehicle services	Market price	—	1	81.55
	Environmental protection and security inspection services	State price	—	1	5.22
	Business reception and meeting expenses	Market price	—	2	43.53
	Supply of heating fee	State price	—	0.5	1.43
	Greening services	Expenses of labour, materials and management as paid based on market prices	—	9	100.00
Sub-total	—	—	—	2,064.8	60.97

Significant Events *(continued)*

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

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

A. *(Continued)*

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Sale of goods to the related party	Steel Products	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.	RMB3,016/ tonne	1,502	4.24
	Molten iron		RMB2,129/ tonne	32	100.00
	Billets		RMB2,726/ tonne	234	74.68
	Coke		—	27	100.00
	Chemical by-products		—	100	9.49
	Sub-total		—	—	1,895
Sale of scrap steel and abandoned material to the related party	Scrap steel	Market price	—	82	56.54
	Abandoned material		—	2	59.06
	Obsolete assets or idle assets	Market price or appraised price	—	1	100.00
	Sub-total	—	—	85	56.86

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

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

A. *(Continued)*

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Sale of comprehensive services to the related party	Fresh water	State price	RMB3.13/ tonne	26	98.08
	Clean recycled water	Production cost plus a gross profit margin of 5%	RMB0.74/ tonne	9	99.97
	Soft water		RMB4.90/ tonne	0.4	100.00
	Gas		RMB53.54/GJ	248	79.63
	Blast furnace gas		RMB4.00/GJ	28	100.00
	Steam		RMB47.51/GJ	16	97.59
	Nitrogen		RMB260.80/ km ³	3	40.68
	Oxygen		RMB416.25/ km ³	3	27.82
	Argon		RMB609.38/ km ³	1	17.78
	Compressed air		RMB106.10/ km ³	0.5	100.00
	Used hot water		RMB6.01/GJ	8	78.01
	Product testing service	Market price	—	2	90.17
	Transportation service		—	50	33.46
	Sub-total	—	—	394.9	38.22
Reasons for the continuing connected transactions:	As production in the iron and steel industry is on a continuous basis, Angang 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 for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.				

Significant Events *(continued)*

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

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

B.	Related party:	Angang Financial Company
	Connected relationship:	Controlled indirectly by the controlling shareholder of the Company
	Settlement method of connected transaction:	Money payment

Type	Details	Pricing principle	Price <i>(RMB)</i>	Transaction amount <i>(RMB' million)</i>	As a percentage of similar transaction amount <i>(%)</i>
Financial services provided by the related party	Interest on deposits	State price	—	2	55.40
	Maximum daily balance of deposit (including accrued interests)	—	—	3,426	—
	Interest payable on loans, discounted bills and entrusted loans	Not higher than the interest rate obtained by the Group from commercial banks during the same period	—	26	3.26

V. 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 controlling shareholder of the Company
	Settlement method of connected transaction:	Money payment

Type	Details	Pricing principle	Price <i>(RMB)</i>	Transaction amount <i>(RMB' million)</i>	As a percentage of similar transaction amount <i>(%)</i>
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)	RMB787/tonne	715	7.47
	Alloy	Market price	—	39	2.24
	Total		—	754	6.67
Reasons for the continuing connected transactions:	Anqian Mining, a subsidiary of Pangang Vanadium & Titanium, has supplied iron concentrate for the Company for several years, and Pangang Vanadium & Titanium supplies alloy for the Company at the market price, which provides guarantee for the Company obtaining continuous and stable supply of raw materials.				

Significant Events *(continued)*

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

2. Connected transactions of assets acquisition and disposal

Party	Relationship	Type	Content	Pricing Principle	Book value	Appraised	Fair market value	Transfer price	Settlement	Loss or profit
					of transferred assets	value of transferred assets				
					(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	
Angang Holding	Controlling shareholder	Asset Acquisition	Acquisition of some of the current pellet production equipment of Angang Holding	Based on the appraisal results issued by the valuer qualified in engaging in securities business	957	6,207	5,127	5,127	Cash at banks and on hand	—
Reasons for the substantial difference between the transfer price and the book value or the appraised value (if any)				The main reasons for the increase in net valuation value of machines and equipment: the Company adopted the depreciable life of six years for most machines and equipment for the valuation, which was less than the combined value of used years and remaining useable years, which were 5-25 years (most were 10-20 years) for the valuation, and only residual value remained in the book value of some of the equipment on the valuation base date.						
Impact on the operating result and the financial condition of the Company				Built a pellet production line in Bayuquan to satisfy the needs of Bayuquan Branch Company, replaced the pellet transported from Anshan Area and lowered the cost.						

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

3. Connected transactions of joint external investments

Joint parties	Connected relationship	Pricing Principles	Investee	Principal business of the investee	Registered	Total assets	Net assets of the investee	Net profit of the investee
					capital of the investee	of the investee		
					(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Pangang Group Xichang Steel & Vanadium Company Limited (攀鋼集團西昌 鋼鐵有限公司)	Under the common control	Subject to the registered capital of the joint company and investment ratio	Angang Chongqing High-strength Automobile Steel Co., Ltd. (鞍鋼重慶高強 汽車鋼有限公司)	the production, sales, warehousing and logistics of cold rolled steel rolls (plates) and galvanized steels rolls (plates); the shearing, distribution and processing of steel rolls (plates)	10,000	27,721	10,000	0
Angang Group Company, Pangang Vanadium & Titanium	Controlling shareholder; Under the common control	Subject to the valuation results	Angang Financial Company	Providing services related to financing member entities and financial; assisting member entities in the settlement of accounts payable and receivable; providing guarantees for member entities; handling entrusted loan and investment between member entities; handling bill acceptance and discounting for member entities, etc.	200,000	1,770,700	538,000	25,500

V. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

4. Connected party credit and debt transaction

During the Reporting Period, the Company was not involved in any connected party credit and debt transaction for non-operating purpose.

As at 30 June 2014, the bank borrowings of RMB21 million of the Group were guaranteed by Angang Holding.

VI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Entrustment, contracting and leasing matters

On 20 November 2012, the Company entered into the Assets Exchange Agreement with Angang Trade, the Share Transfer Agreement with Angang Holding, and the Entrustment Agreement with Angang Trade and Angang Holding. Pursuant to such agreements, upon the completion of the assets exchange and share transfer, Angang Trade and Angang Holding will entrust the Company with 80% equity interests of Angang Putian and 45% equity interests of Angang Tiantie, respectively. On 30 January 2013, the Company convened its first extraordinary general meeting in 2013 which considered and approved the 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》), 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 of 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份公司股權的議案》).

The Company did not enter into material contracting and lease arrangement during the Reporting Period.

VI. MATERIAL CONTRACTS AND THEIR PERFORMANCE *(CONTINUED)*

- 2. There was no material guarantee which involved the Company during the Reporting Period.**
- 3. The Company did not entrust any party with the management of any of its assets during the Reporting Period.**
- 4. The Company did not enter into any other material contracts during the Reporting Period.**
- 5. The Company did not entrust any party for financial management during the Reporting Period.**

VII. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE DURING OR SUBSISTED IN 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 conditions of the 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 principal business of the Company.
- (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, upon request by the Company, will transfer all the capital contribution, shares or equity interests and undertakes to grant the Company preemptive rights for such capital contribution, shares or equity interests where the conditions are similar.

VII. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE DURING OR SUBSISTED IN THE REPORTING PERIOD. *(CONTINUED)*

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

- (5) If Angang Holding and its wholly-owned and holding subsidiaries have assets and business which compete or may compete with the principal business (iron and steel business) of 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 opportunity of 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.

VII. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE DURING OR SUBSISTED IN 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.

VII. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE DURING OR SUBSISTED IN THE REPORTING PERIOD. *(CONTINUED)*

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

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 Angang Holding does not have any iron and steel production projects in 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: effective for a long-term.

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

VII. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE DURING OR SUBSISTED IN THE REPORTING PERIOD. (CONTINUED)

2. Fulfilment of undertaking of the substantial shareholder and its parties acting in concert regarding not reducing their shareholding during the Reporting Period

On 6 August 2013, the Company published the announcement in relation to the increase of holdings of the Company's A shares 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. Also, within six months of the initial purchase of shares, Angang Holding intends 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 shareholding). Angang Holding will acquire a minimum amount of not less than 0.5% of the total share capital provided that the price of A share is not higher than RMB3 per share (the "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 of 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 has strictly fulfilled its undertakings and has not reduced its shareholding in the Company within the period of shareholding increase and the statutory period.

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

This interim financial report has not been audited.

IX. EXPLANATION ON OTHER SIGNIFICANT EVENTS

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

Movements in Share Capital and Shareholding of Substantial Shareholders

I. SHARE CAPITAL STRUCTURE

As at 30 June 2014, the structure of share capital of the Company was as follows:

Unit: Share

	Before the change during the period		Increase/decrease during the period (+ -)					After the change during the period	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from accumulated fund	Others	Subtotal	Number	Percentage (%)
I. Shares subject to trading moratorium	103,900	0.00	—	—	—	-32,500	-32,500	71,400	0.00
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Including: shares held by									
domestic legal persons	—	—	—	—	—	—	—	—	—
Shares held by									
domestic natural persons	—	—	—	—	—	—	—	—	—
4. Foreign investment shares	—	—	—	—	—	—	—	—	—
Including: shares held by									
overseas legal persons	—	—	—	—	—	—	—	—	—
Shares held by									
overseas natural persons	—	—	—	—	—	—	—	—	—
5. Senior management shares	103,900	0.00	—	—	—	-32,500	-32,500	71,400	0.00
II. Shares not subject to trading moratorium	7,234,703,947	100.00	—	—	—	+32,500	+32,500	7,234,736,447	100.00
1. Renminbi ordinary shares	6,148,903,947	84.99	—	—	—	+32,500	+32,500	6,148,936,447	84.99
2. Domestically listed foreign investment shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign investment shares	1,085,800,000	15.01	—	—	—	—	—	1,085,800,000	15.01
4. Others	—	—	—	—	—	—	—	—	—
III. Total shares	7,234,807,847	100.00	—	—	—	0	0	7,234,807,847	100.00

Note: Reasons for movement in shares:

According to the relevant rules, during the Reporting Period, shares held by Mr. Chen Ming, a former Director, Mr. Su Wensheng, a former Supervisor and Mr. Liu Baoshan, a former senior management were released from trading moratorium upon six months from their resignation, which led to changes in the shares subject to trading moratorium and shares not subject to trading moratorium as at the end of the Reporting Period.

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

The total number of shareholders of the Company 166,580, of which 612 were holders of H shares as at the end of the Reporting Period

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
Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司)	State-owned legal person	67.80	4,904,908,290	0	—	4,904,908,290	—	—	—
HKSCC (Nominees) Limited	Overseas legal person	14.83	1,073,012,315	-305,385	—	1,073,012,315	—	—	—
UBS AG	Overseas legal person	0.49	35,352,109	10,959,844	—	35,352,109	—	—	—
Credit Suisse (Hong Kong) Limited	Overseas legal person	0.30	21,917,392	-14,685,100	—	21,917,392	—	—	—
Li Yulan (李玉蘭)	Domestic natural person	0.19	13,673,589	2,310,789	—	13,673,589	—	—	—
DEUTSCHE BANK AKTIENGESELLSCHAFT	Overseas legal person	0.15	11,010,579	-12,792,289	—	11,010,579	—	—	—
MERRILL LYNCH INTERNATIONAL	Overseas legal person	0.15	10,921,077	-18,430,530	—	10,921,077	—	—	—
Liang Yaohui (梁耀輝)	Domestic natural person	0.14	10,440,000	0	—	10,440,000	—	—	—
Yingkou Xinda Investment Company Limited (營口鑫達投資有限公司)	Domestic ordinary legal person	0.13	9,523,087	0	—	9,523,087	—	—	—
Zhang Mucheng (張沐誠)	Domestic natural person	0.12	9,000,000	0	—	9,000,000	—	—	—

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.

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

Shareholdings of the top 10 shareholders not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium at the end of the Reporting Period	Type of share	
		Type of share	Amount
Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司)	4,904,908,290	Renminbi ordinary shares	4,904,908,290
HKSCC (Nominees) Limited	1,073,012,315	Overseas listed foreign shares	1,073,012,315
UBS AG	35,352,109	Renminbi ordinary shares	35,352,109
Credit Suisse (Hong Kong) Limited	21,917,392	Renminbi ordinary shares	21,917,392
Li Yulan (李玉蘭)	13,673,589	Renminbi ordinary shares	13,673,589
DEUTSCHE BANK AKTIENGESELLSCHAFT	11,010,579	Renminbi ordinary shares	11,010,579
MERRILL LYNCH INTERNATIONAL	10,921,077	Renminbi ordinary shares	10,921,077
Liang Yaohui (梁耀輝)	10,440,000	Renminbi ordinary shares	10,440,000
Yingkou Xinda Investment Company Limited (營口鑫達投資有限公司)	9,523,087	Renminbi ordinary shares	9,523,087
Zhang Mucheng (張沐城)	9,000,000	Renminbi ordinary shares	9,000,000

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

The Company is not aware of any connected relationship among the 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.

The shareholders of the Company did not make any agreed repurchase transactions during the Reporting Period.

III. MOVEMENTS OF CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

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

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

Save as disclosed below, as at 30 June 2014, no other person (other than the Company's Directors, Supervisors and senior management) had any interest or short position in the shareholders or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO of Hong Kong:

Interest in ordinary shares of the Company

Name of shareholder	Number and class of shares held	Percentage	Percentage	Percentage	Capacity
		in total share capital (%)	in total issued H shares (%)	in total issued domestic shares (%)	
Angang Iron & Steel Group Complex*	4,904,908,290 state-owned shares	67.80	—	79.18	Beneficial owner
HKSCC (Nominees) Limited	1,073,012,315 H shares	14.83	98.82	—	Nominee

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

There was no change in the shares held by Directors, Supervisors and senior management of the Company during the Reporting Period. Please refer to the 2013 Annual Report of Company for details.

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

Save as disclosed above, as at 30 June 2014, none of the Directors, Supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to notify the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") set out in Appendix 10 of the Hong Kong Listing Rules.

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

On 28 March 2014, the resolutions in respect of resignations of Mr. Li Shijun and Mr. Kwong Chi Kit, Victor as the independent directors of the Company were approved at the 15th meeting of the Sixth Session of the Board of the Company. The resignations of Mr. Li Shijun and Mr. Kwong Chi Kit, Victor as the independent directors of the Company became effective upon the election of new independent directors at the 2013 annual general meeting of the Company on 4 June 2014.

On 4 June 2014, Mr. Liu Zhengdong and Mr. Chau Chi Wai, Wilton were elected as the independent directors of the Sixth Session of the Board of the Company at the 2013 annual general meeting.

Consolidated Balance Sheet

As at June 30 2014
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Assets	Notes	30 Jun. 2014	31 Dec. 2013
Current assets:			
Cash at bank and on hand	7(1)	1,214	1,126
Financial assets held for trading			
Notes receivable	7(2)	8,573	10,623
Accounts receivable	7(3)	1,977	2,134
Prepayments	7(5)	4,202	3,042
Dividends receivable			
Other receivables	7(4)	24	18
Inventories	7(6)	12,277	12,356
Non-current assets due within 1 year			
Other current assets			
Total current assets		28,267	29,299
Non-current assets:			
Available-for-sale financial assets	7(7)	62	56
Long-term equity investments	7(8)	3,552	3,128
Investment properties			
Fixed assets	7(9)	44,366	45,452
Construction in progress	7(10)	6,096	5,756
Construction material	7(11)	113	26
Intangible assets	7(12)	6,070	6,147
Long-term deferred expenses			
Deferred income tax assets	7(13)	2,760	3,001
Other non-current assets			
Total non-current assets		63,019	63,566
Total assets		91,286	92,865

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Liabilities and shareholders' equity	Notes	30 Jun. 2014	31 Dec. 2013
Current liabilities:			
Short-term loans	7(15)	11,038	9,241
Notes payable	7(16)	281	47
Accounts payable	7(17)	10,700	15,343
Advances from customers	7(18)	4,889	4,031
Employee benefits payable	7(19)	362	281
Tax and surcharges payable	7(20)	(17)	(550)
Interest payable	7(21)	155	196
Other payables	7(22)	1,904	1,944
Non-current liabilities due within 1 year	7(23)	1,801	1,271
Other current liabilities	7(24)	6,023	6,001
Total current liabilities		37,136	37,805
Non-current liabilities:			
Long-term loans	7(25)	1,744	3,044
Bonds payable	7(26)	3,978	3,971
Deferred income tax liabilities	7(13)	20	20
Other non-current liabilities	7(27)	917	935
Total non-current liabilities		6,659	7,970
Total liabilities		43,795	45,775

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Balance Sheet *(continued)*

As at June 30 2014
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Liabilities and shareholders' equity <i>(Continued)</i>	Notes	30 Jun. 2014	31 Dec. 2013
Shareholders' equity:			
Share capital	7(28)	7,235	7,235
Capital reserve	7(29)	31,132	31,136
Special reserve	7(30)	44	21
Surplus reserves	7(31)	3,580	3,580
Undistributed profits	7(32)	5,436	5,054
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		47,427	47,026
Minority interests		64	64
Total shareholders' equity		47,491	47,090
Total liabilities and shareholders' equity		91,286	92,865

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Income Statement

Items	Notes	For the six months ended 30 June	
		2014	2013
1. Operating income		38,177	36,922
Including: Operating income	7(33)	38,177	36,922
2. Operating costs		37,808	36,628
Including: Operating costs	7(33)	34,154	32,423
Business tax and surcharges	7(34)	75	122
Marketing expenses	7(35)	1,034	790
Administrative expenses	7(36)	831	1,744
Financial expenses	7(37)	679	707
Impairment losses on assets	7(39)	1,035	842
Add:			
gains/losses from air value variation			
Investment income	7(38)	405	284
Including: Income from investment in joint ventures and associates		320	261
3. Operating profit		774	578
Add: Non-operating income	7(40)	81	74
Less: Non-operating expenses	7(41)	37	20
Including: Losses on non-current assets disposal		32	19
4. Profitbefore income tax		818	632
Less: Income tax expenses	7(42)	241	(56)

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Income Statement (continued)

For the six months ended 30 June 2014
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Notes	For the six months ended 30 June	
		2014	2013
5. Net profit for the period		577	688
Net profit attributable to shareholders of parent company		577	702
Gains/losses attributable to minority shareholders			(14)
6. Earning per share			
(1) Basic earnings per share (RMB Yuan/share)	7(43)	0.080	0.097
(2) Diluted earnings per share (RMB Yuan/share)	7(43)	0.080	0.097
7. Other comprehensive income	7(44)	(4)	(32)
8. Total comprehensive income		573	656
Share of total comprehensive income attributable to shareholders of parent company		573	670
Share of total comprehensive income attributable to minority interest			(14)

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Cash Flow Statement

Items	Notes	For the six months ended 30 June	
		2014	2013
1. Cash flow from operating activities:			
Cash received from selling of goods or rendering of services		35,694	36,844
Refund of tax and fare		19	12
Other cash received from operating activities	7(45)	86	128
Sub-total of cash inflows		35,799	36,984
Cash paid for goods and services		30,825	23,115
Cash paid to and for the employees		1,849	1,557
Cash paid for all types of taxes		406	953
Other cash paid for operating activities	7(45)	1,334	696
Sub-total of cash outflows		34,414	26,321
Net cash flow from operating activities	7(46)	1,385	10,663

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2014
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	Notes	For the six months ended 30 June	
		2014	2013
2. Cash flow from investing activities:			
Cash received from return of investments			
Cash received from investment income		535	400
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		1	2
Net cash received from disposal of subsidiaries and other operating units			
Other cash received from investment activities	7(45)	88	905
Sub-total of cash inflows		624	1,307
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		1,424	1,100
Cash paid for acquisition of investments		578	46
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities	7(47)		
Sub-total of cash outflows		2,002	1,146
Net cash flow from investing activities		(1,378)	161

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Items	Notes	For the six months ended 30 June	
		2014	2013
3. Cash flow from financing activities:			
Cash received from absorbing investments			
Including: received of subsidiary from minority shareholders			
Cash received from borrowings		11,936	15,564
Other cash received from financing activities			
Sub-total of cash inflows		11,936	15,564
Cash paid for settling of debts		10,923	25,646
Cash paid for distribution of dividends or profit and repayment of interests		932	898
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities			
Sub-total of cash outflows		11,855	26,544
Net cash inflow from financing activities		81	(10,980)
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
5. Net increase in cash and cash equivalents	7(46)	88	(156)
Add: Cash and cash equivalents brought forward	7(46)	1,126	2,049
6. Cash and cash equivalents carried forward	7(46)	1,214	1,893

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Consolidated Statement of Changes in Shareholders' Equity

As at 30 June 2014
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	As at 30 June 2014								Total of shareholders' equity	
	Shareholders' equity attributable to shareholders of the parent company					Less:		General		Minority interests
	Share capital	Capital reserve	treasury stock	Special reserve	Surplus reserve	risk reserve	Undistributed profit	Others		
1. Balance as at 31 Dec. 2013	7,235	31,136		21	3,580		5,054		64	47,090
Add: Changes of accounting policy										
Correction of prior period errors										
Others										
2. Balance as at 1 Jan. 2014	7,235	31,136		21	3,580		5,054		64	47,090
3. Increase/decrease in 2014 ("-" represents loss)		(4)		23			382			401
(1) Net profit							577			577
(2) Other comprehensive income		(4)								(4)
Subtotal of (1) and (2)		(4)					577			573
(3) Capital introduced or withdrawn by owners										
i. Capital introduced by owners										
ii. Amount of shares-based payment recorded in owner's equity										
iii. Others										
(4) Profit distribution							(195)			(195)
i. Transfer to surplus reserve										
ii. Transfer to general risk reserve										
iii. Distribution to shareholders							(195)			(195)
iv. Others										
(5) Transfer within shareholder's equity										
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Others										
(6) Special reserve				23						23
i. Extracts of this period				33						33
ii. Usage of this period				(10)						(10)
4. Balance as at 30 Jun. 2014	7,235	31,132		44	3,580		5,436		64	47,491

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Items	As at 31 December 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		4,284	1,631	48,229
Add: Changes of accounting policy									
Correction of prior period errors									
Others		615			10		135	44	804
2. Balance as at 1 Jan. 2013	7,235	32,080		44	3,580		4,419	1,674	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 introduced or withdrawn by owners		(910)						(1,596)	(2,506)
i. Capital introduced 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	3,1136		21	3,580		5,054	64	47,090

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Balance Sheet

As at 30 June 2014
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Assets	Notes	30 Jun. 2014	31 Dec. 2013
Current assets:			
Cash at banks and on hand		846	873
Financial assets held for trading			
Notes receivable		8,456	10,578
Accounts receivable	15(1)	3,133	3,102
Prepayments		4,039	2,961
Interests receivable			
Dividends receivable			
Other receivables	15(2)	18	17
Inventories		11,169	11,112
Non-current assets due within 1 year			
Other current assets			
Total current assets		27,661	28,643
Non-current assets:			
Available-for-sale financial assets		62	56
Long-term equity investments	15(3)	4,406	3,715
Investment property			
Fixed assets		44,222	45,405
Construction in progress		5,801	5,436
Construction materials		113	25
Intangible assets		5,937	6,013
Long-term deferred expenses			
Deferred income tax assets		2,723	2,964
Other non-current assets			
Total non-current assets		63,264	63,614
Total assets		90,925	92,257

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Liabilities and shareholders' equity	Notes	30 Jun. 2014	31 Dec. 2013
Current liabilities:			
Short-term loans		11,038	9,241
Notes payable		273	
Accounts payable		10,660	15,328
Advances from customers		4,630	3,496
Employee benefits payable		362	281
Tax and surcharges payable		134	(356)
Interests payables		155	196
Other payables		1,883	1,931
Non-current liabilities due within 1 year		1801	1,271
Other current liabilities		6,023	6,001
Total current liabilities		36,959	37,389
Non-current liabilities:			
Long-term loans		1,673	2,973
Bonds payable		3,978	3,971
Deferred income tax liabilities		20	20
Other non-current liabilities		765	782
Total non-current liabilities		6,436	7,746
Total liabilities		43,395	45,135
Shareholders' equity:			
Share capital		7,235	7,235
Capital reserve		31,178	31,182
Special reserve		44	21
Surplus reserves		3,570	3,570
Undistributed profits		5,503	5,114
Total shareholders' equity		47,530	47,122
Total liabilities and shareholders' equity		90,925	92,257

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Income Statement

For the six months ended 30 June 2014
 Prepared by: Angang Steel Company Limited
 Monetary unit: RMB million

Items	Notes	For the six months ended 30 June	
		2014	2013
1. Operating income		37,820	37,010
Including: Operating income	15(4)	37,820	37,010
2. Operating costs		37,445	36,600
Including: Operating costs	15(4)	33,848	32,508
Business tax and surcharges		75	121
Marketing expenses		989	758
Administrative expenses		819	1,725
Financial expenses		679	691
Impairment losses on assets		1,035	797
Add: gains/losses from fair value variation			
Investment income	15(5)	405	(328)
Including: Income from investment in jointly ventures and associates		320	261
3. Operating profit		780	82
Add: Non-operating income		80	72
Less: Non-operating expenses		37	20
Including: Losses on non-current assets disposal		32	19
4. Profit before income tax		823	134
Less: Income tax expenses		239	(52)
5. Net profit for the period		584	186
6. Other comprehensive income		(4)	(32)
7. Total comprehensive income		580	154

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Items	Notes	For the six months ended 30 June	
		2014	2013
1. Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		35,513	36,255
Refund of tax and fare		19	12
Other cash received from operating activities		84	122
Sub-total of cash inflows		35,616	36,389
Cash paid for goods and services		30,708	23,625
Cash paid to and for employees		1,828	1,536
Cash paid for all types of taxes		393	932
Other cash paid for operating activities		1,305	675
Sub-total of cash outflows		34,234	26,768
Net cash flow from operating activities	15(6)	1,382	9,621

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Cash Flow Statement *(continued)*

*For the six months ended 30 June 2014
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million*

Items	Notes	For the six months ended 30 June	
		2014	2013
2. Cash flows from investing activities:			
Cash received from return of investments			1,366
Cash received from investment income		535	400
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		1	2
Other cash received from investment activities		87	795
Sub-total of cash inflows		623	2,563
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		1,270	989
Cash paid for acquisition of investments		845	156
Other cash paid for investment activities			
Sub-total of cash outflows		2,115	1,145
Net cash flow from investing activities		(1,492)	1,418

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Cash Flow Statement (continued)

Items	Notes	For the six months ended 30 June	
		2014	2013
3. Cash flows from financing activities:			
Cash received from absorbing investments			
Cash received from borrowings		11,936	15,254
Other cash received from financing activities			
Sub-total of cash inflows		11,936	15,254
Cash paid for settling of debts		10,923	25,030
Cash paid for distribution of dividends or profit and repayment of interests		930	865
Other cash paid for financing activities			
Sub-total of cash outflows		11,853	25,895
Net cash inflow from financing activities		83	(10,641)
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
5. Net increase in cash and cash equivalents	15(6)	(27)	398
Add: Cash and cash equivalents brought forward	15(6)	873	884
6. Cash and cash equivalents carried forward	15(6)	846	1,282

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Statement of Changes in Shareholders' Equity

As at 30 June 2014
Prepared by: Angang Steel Company Limited
Monetary unit: RMB million

Items	As at 30 June 2014						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. 2014	7,235	31,182		21	3,570		5,114	47,122
Add: Changes of accounting policy								
Correction of prior period errors								
Others								
2. Balance as at 1 Jan. 2014	7,235	31,182		21	3,570		5,114	47,122
3. Increase/decrease in 2014 ("-" represents loss)		(4)		23			389	408
(1) Net profit							584	584
(2) Other comprehensive income		(4)						(4)
Subtotal of (1) and (2)		(4)					584	580
(3) Capital introduced or withdrawn by owners								
i. Capital introduced by owners								
ii. Amount of shares-based payment recorded in owner's equity								
iii. Others								
(4) Profit distribution							(195)	(195)
i. Transfer to surplus reserve								
ii. Transfer to general risk reserve								
iii. Distribution to shareholders							(195)	(195)
iv. Others								
(5) Transfer within shareholder's equity								
i. Transfer from capital reserve to share capital								
ii. Transfer from surplus reserve to share capital								
iii. Making up losses with surplus reserve								
iv. Others								
(6) Special reserve				23				23
i. Extracts of this period				33				33
ii. Usage of this period				(10)				(10)
4. Balance as at 30 Jun. 2014	7,235	31,178		44	3,570		5,503	47,530

Legal Representative:
Zhang Xiaogang

Chief Accountant:
Ma Lianyong

Comptroller:
Che Chengwei

Statement of Changes in Shareholders' Equity (continued)

Items	As at 31 December 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 period 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		(860)						(860)
iii. Others								
(4) Profit distribution							(135)	(135)
i. Transfer to surplus reserve								
ii. Transfer to general risk reserve								
iii. Distribution to shareholders								
iv. Others							(135)	(135)
(5) Transfer within shareholder's equity								
i. Transfer from capital reserve to share capital								
ii. Transfer from surplus reserve to share capital								
iii. Making up losses with surplus reserve								
iv. Others								
(6) Special reserve				(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

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 Complex 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 Anshan Iron & Steel Group Complex. According to the Separation Agreement which took effect from the 1 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 31 December 1996 as its contribution to the Company. The above net assets were converted into 1,319,000,000 shares of the Company of RMB1.00 each.

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

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

1. COMPANY'S PROFILE (Continued)

On the 26 January 2006, the Company made an additional issue of 2,970,000,000 ordinary A shares with a par value of RMB1.00 each at an issue price of RMB4.29 each to Anshan Iron & Steel Group Complex 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 20 June 2006, the Company changed its name from Angang New Steel Company Limited to Angang Steel Company Limited. On the 29 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 25 October 2007 and the 14 November 2007 respectively. The Company had obtained the revised business license on the 31 March 2008.

On the balance sheet date, the Company's legal representative was Zhang Xiaogang and the registered capital was RMB7,234,807,847. 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 have been approved by the Board of Directors on 13 August 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 announced by the China Securities Regulatory Commission in “Public Offering of Securities of the Company Information Disclosure Rule No. 15 — Financial Report of the General Provisions” (2010 Amendment).

According to the relevant provisions of Accounting Standards for Business Enterprises, 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 30 June 2014, the financial performance and the cash flow of the Group for the 6 months ended 30 June 2014. In addition, these financial statements also comply with, in all material respects, the disclosure requirements announced by the China Securities Regulatory Commission in “Public Offering of Securities of the Company Information Disclosure Rule No. 15 — Financial Report of the General Provisions” (2010 Amendment).

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting period

The Group's accounting year is the calendar year that starts from the 1 January and ended on 31 December.

(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 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.

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

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

(a) The business combinations under common control *(Continued)*

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(3) Accounting treatment of business combinations (Continued)

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

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 good will; 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. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(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.

(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 period 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(b) Preparation of consolidated financial statements (Continued)

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.

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

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

- (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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

(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.

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)

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).

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)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

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

(iii) Loans and accounts receivable (Continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

(c) Impairment of financial assets (Continued)

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

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 period.

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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

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

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 or 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

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

(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 period.

(c) The Company defines an account receivable equivalent to or above RMB30 million as individually significant account receivable, and other receivable RMB10 million.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(8) Receivables (Continued)

- (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.

- (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.

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 *(Continued)*

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 period.

- (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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

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.

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

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

- (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 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 period.

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

Inequity 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 period, and the cost of the long-term equity investment shall be adjusted simultaneously.

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 in to other comprehensive income as capital reserves.

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)*

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.

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

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

- (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.

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

(11) Fixed assets *(Continued)*

- (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.

- (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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(12) Construction in progress

The cost of construction in progress shall be measured according to the actual expenditure for the construction in progress, 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.

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

(13) Borrowing costs *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

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

(14) Intangible assets *(Continued)*

(a) Intangible assets *(Continued)*

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.

(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;

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Intangible assets (Continued)

- (b) Research and development expenditure (Continued)
 - (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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(17) Revenue (Continued)

(b) Revenue from services rendering (Continued)

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.

(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.

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

(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 period 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.

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

(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.

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.

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 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.

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

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

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Leases (Continued)

(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.

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

(20) Leases *(Continued)*

- (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.

(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,

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(21) Employee benefits (Continued)

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) As at 30 June 2014, no changes in accounting policies took place in the Group.
- (b) As at 30 June 2014, no changes in accounting estimate took place in the Group.

(23) Correction of prior period errors

For the six months ends 30th June 2014, the Group has no corrections of prior period errors.

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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Significant accounting judgment and estimate (Continued)

(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.

(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 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.

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

(24) Significant accounting judgment and estimate *(Continued)*

- (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 judgment and estimate (Continued)

(e) Depreciation and amortization

Fixed and intangible assets are depreciated and amortized by a straight-line approach over their estimated useful life 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 the 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 judgment and estimate *(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 resulted from 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 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")	Taxable income is calculated at the rate of applicable output tax, output VAT and output VAT less input VAT
Business tax	Taxable income: 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		Company type	Legal representative	Organization code	Actual investment	
				capital	Business scope				at the end of the period	Other substantive investment
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	152	Steel and related products production, processing, wholesale and retail	Limited liability company	Ran Maoyu	67583176-9	152	
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. ("AngangGuangzhou")	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	
YantaiAngang Steel International Trade Co.,Ltd.(Yantai Trading)	Wholly-owned subsidiary	Yan tai	Steel Trading	6	Sales of metal materials, building materials	Limited liability company	Qiu Rongjiang	07444216-X	6	
Angang Steel Processing andDistribution (Zhengzhou) Co.,Ltd. ("AngangZhengzhou")	Wholly-owned subsidiary	Zhengzhou	Steel Processing and distribution	60	Steel and related products processing, manufacturing, sales, warehousing, technical advice and services	Limited liability company	Ma Rongcai	09647788-1	60	
AutoSteel(Guangzhou) Co.,Ltd. ("AutoSteel Guangzhou")	Wholly-owned subsidiary	Guangzhou	Metal Products	458	Steel delay pressure processing; Non-ferrous metal alloy; Steel structure manufacture and so on	Limited liability company	Cheng Yu	09420609-2	150	

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			
Angang Steel Processing and Distribution (Zhengzhou) Co.,Ltd	100	100	Yes			
AutoSteel (Guangzhou) Co., Ltd	100	100	Yes			

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries (Continued)

(b) Subsidiaries acquired by business combination under common control

Full name	Type of subsidiary	Registration place	Nature of the business	Registered capital	Business scope	Company type	Legal representative	Organization code	Actual investment at the end of the period	Other essential investment
Angang Shenyang Steel Product Processing And Distribution Co., Ltd ("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	6	Sales of metal materials and products, construction materials	Limited liability company	Shi Yue	73917279-2	27	
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	6	Import and export of goods and technology, trade of wholesale and retail	Limited liability company	Zhao Guowei	79737146-5	21	
Tianjin Angang North International Trade Co., Ltd("Tianjin Trading")	Wholly-owned subsidiary	Tianjin	Sales and purchase of metal materials etc.	6	Sales and purchase of metal materials etc.	Limited liability company	Tang bin	10117441-3	9	
Shanghai Angang Trading Trade Co., Ltd ("Shanghai Trading")	Wholly-owned subsidiary	Shanghai	Wholesale, retail, consignment-sales and purchase, and other service	6	Wholesale, retail, consignment-sales and purchase, and other service	Limited liability company	Liu Jun	13307409-7	9	
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 Rongqiang	79491135-8	1	
Weifang Angang Steel Processing And Distribution Co.,Ltd. ("Angang Weifang")	Controlling subsidiary	Wei fang	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 share holding (%)	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 Co., Ltd	100	100	Yes			
TianjinAngang 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			

6. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Changes in the consolidation scope

Angang Zhengzhou and Auto Steel Guangzhou were newly established company, which were included in the scope of consolidation.

(3) Subsidiaries newly included into the consolidated scope this period

Subsidiaries	Closing balance of net assets	Net profit of this period
Angang Zhengzhou	60	
Auto Steel Guangzhou	150	

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the notes below (including notes to parent's financial statements), unless otherwise indicated, the closing balance refers to the balance at 30 Jun. 2014, the opening balance refers to the balance at 31 Dec. 2013, this period refers to the 6 months ended at 30 Jun. 2014, and last period refers to the 6 months ended at 30 Jun. 2013.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) CASH AT BANK OR ON HAND

Items	Closing balance RMB	Opening balance		RMB
		Foreign Amount	Exchange rate	
Cash	1			1
Bank deposits	1,213			1,111
— RMB	1,213			1,050
— U.S. dollar		10	6.1156	61
Other cash balance				14
Total	1,214			1,126

(2) NOTES RECEIVABLE

(a) Classification of notes receivable

Items	Closing balance	Opening balance
Bank Acceptance Notes	8,573	10,623
Total	8,573	10,623

(b) As at 30 June 2014, there was no pledged notes receivable.

(c) No notes receivable were transferred to accounts receivable due to insolvency of the issuer as at 30 Jun. 2014.

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

- (d) Notes receivables that are not mature but have been endorsed as at Jun.30, 2014. (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")	Jan. to Jun. 2014	Jul. to Dec. 2014	665	Yes	
Shenyang China Railway Materials Co., Ltd.	Jan. to May. 2014	Jul. to Nov. 2014	442	Yes	
Dalian Shipbuilding Industry Group Steel Co., Ltd.	Feb. to Jun. 2014	Aug. to Dec. 2014	358	Yes	
Shanghai Mixingda International Trade Co., Ltd.	Jan. to Jun. 2014	Jul. to Nov. 2014	212	Yes	
Tianjin Angang Tiantie Cold Rolled Sheets Co., Ltd. ("Angang Tiantie")	Jan. to May. 2014	Jul. to Nov. 2014	207	Yes	
Total			1,884		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(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	1,601	81		
Accounts receivable with insignificant single amount subject to individual impairment	376	19		
Total	1,977	100		

Type	Opening 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		

Note: The majority of the clients of the Group were required to advance the full amount by cash or bank acceptances before delivery; for sales on credit, the term of credit ranges from 1 to 4 months since the bill issuing date.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(3) ACCOUNTS RECEIVABLE (Continued)**

(b) Accounts Receivable classified by aging

Aging	Closing balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,976	100		
1 to 2 years				
2 to 3 years				
Over 3 years	1			
Total	1,977	100		

Aging	Opening 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		

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

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

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) ACCOUNTS RECEIVABLE (Continued)

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

Debtor	Closing balance		Opening balance	
	Amount	Bad debt provision	Amount	Bad debt provision
Anshan Iron & Steel Group Complex	1			
Total	1			

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

Debtors	Relationship	Balance	Aging	Percentage (%)
Angang Group International Trade Corporation ("Angang Trade")	Fellow subsidiary	578	Within 4 months	29
China Petrochemical International Co., Ltd.	Third party	232	Within 1 year	12
ANSC-TKS Changchun Steel Logistics Co., Ltd. ("TKAS-SSC")	Joint ventures of the Group	162	Within 1 year	8
Procurement Center of China First Automobile Co., Ltd	Third party	156	Within 3 months	8
China Huanqiu Engineering Co., Ltd	Third party	135	Within 4 months	7
Total		1,263		64

- (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	
	Balance	Percentage (%)	Balance	Percentage (%)
Other receivables with significant single amount subject to individual impairment				
Other receivables with insignificant single amount subject to individual impairment	24	100		
Total	24	100		

Type	Opening 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	18	100		
Total	18	100		

Note: The 33% increase in other receivables compared with the end of the previous year was mainly due to the increase of other temporary payment.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) OTHER RECEIVABLES (Continued)

(b) Aging of other receivables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	14	58	6	33
1 to 2 years			2	11
2 to 3 years				
Over 3 years	10	42	10	56
Total	24	100	18	100

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

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 this period.

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

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

(a) Prepayment classified by aging

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	2,386	57	2,948	97
1 to 2 years	1,742	41	37	1
2 to 3 years	32	1	10	
Over 3 years	42	1	47	2
Total	4,202	100	3,042	100

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

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

Debtors	Relationship	Amounts	Aging	Reason for unsettlement
Angang Trade	Fellow subsidiary	2,193	Within 5 years	undue
China Metallurgical Coke-Resistant Engineering Technology Co., Ltd.	Third party	408	Within 1 year	undue
Shanxi Coking Coal Group Co.,Ltd.	Third party	201	Within 1 year	undue
Shanghai Building Materials Group Import and Export Corporation	Third party	124	Within 1 year	undue
CERI Engineering Technology Co., Ltd.	Third party	109	Within 1 year	undue
Total		3,035		

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

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) INVENTORY

(a) Classification of Inventory

Items	Closing balance Inventory falling price		Carrying value
	Book value	reserves	
Raw materials	2,574	18	2,556
Work in progress	3,177	199	2,978
Finished goods	4,307	272	4,035
Revolving materials	988		988
Spare parts	1,692		1,692
Materials in transit	25		25
Work in progress– outsourced	3		3
Total	12,766	489	12,277

Types	Opening balance Inventory falling price		Carrying value
	Book value	reserves	
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

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(6) INVENTORY (Continued)**

(b) Changes in Inventory falling price reserves

Items	Opening balance	Increment of the period	Decrement of the period		Closing balance
			Written back	Written off	
Raw materials	74	85		141	18
Work in progress	276	419		496	199
Finished goods	223	531		482	272
Total	573	1,035		1,119	489

(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, inventory falling price reserve was accrued at the end of the period.
- (ii) The reason for the written-off caused by the sale of inventory that has been accrued for the falling price, which transferred the corresponding amount from Inventory falling price reserve.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Items	Closing balance (fair value)	Opening balance (fair value)
Available-for-sale equity instrument	62	56
Total	62	56

(8) LONG-TERM EQUITY INVESTMENTS

(a) Classification of long-term equity investments

Type	Opening balance	Increase of the period	Decrease of the period	Closing balance
Investment in joint ventures	1,636	321	420	1,537
Investment in associates	798	581	136	1,243
Other equity investments	694	78		772
Less: Provisions for impairment of long-term equity investments				
Total	3,128	980	556	3,552

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(8) 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 Co., Ltd. ("ANSC-TKS")	Equity method	533	1,251	(151)	1,100
NSC - Dachuan	Equity method	190	224		224
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	Equity method	45	95		95
TKAS-SSC	Equity method	48	66	2	68
AnSteel Chongqing Gaoqiang Auto Steel Co., Ltd. (AutoSteel Chongqing)	Equity method	50		50	50
ANSC-TKS (Changchun) Tailored Blanks Co., Ltd. ("TKAS")	Equity method	37	78	11	89
Angang Entity Group Packing Steel Strip Co., Ltd. ("Entity Packing")	Equity method	11	5		5
Angang Group Finance Co., Ltd ("Angang Finance")	Equity method	842	642	432	1,074
Anshan Angang Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder")	Equity method	1			
Guangzhou Nansha Steel Logistical Co.,Ltd. ("Nansha Logistical")	Equity method	73	73		73
Shanghai Huagongbao E-Commerce Co., Ltd. (Shanghai Huagongbao)	Equity method	2		2	2
WISDRI Engineering and Research Co., Ltd. (WISDRI)	Cost method	113	35	78	113

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) LONG-TERM EQUITY INVESTMENTS (Continued)

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

Investee	Accounting method	Cost of investment	Opening Balance	Increase/Decrease	Closing Balance
Heilongjiang Longmay Mining Group Co., Ltd. ("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	69		69
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. ("Guoqi Lightweight")	Cost method	3	3		3
Angang Tiantie	Cost method	185	185		185
Total			3,128	424	3,552

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(8) 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	Provision of Impairment	Accrued Impairment	Cash dividends
ANSC-TKS	50	50				400
NSC - Dachuan	50	50				
Changchun FAM	50	50				5
TKAS-SSC	50	50				
AutoSteel Chongqing	50	50				
TKAS	45	45				
Entity Packing	30	30				
Angang Finance	20	20				123
Iron Oxide Powder	30	30				
NanshaLogistical	45	45				
Shanghai Huagongbao	23	23				
WISDRI	6	6				7
Longmay Group	1	1				
Falan Packing	15	15				
Dalian Shipyard	15	15				
China Shipbuilding	10	10				
Dalian Steel	15	15				
Guoqi Lightweight	7	7				
Angang Tiantie	5	5				
Total						535

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) 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	USD132 million	50	50
ANSC-Dachuan	Limited Liability Company	Dalian	ShaXiaochun	Steel processing and sale	RMB380 million	50	50
Changchun FAM	Limited Liability Company (Sino-Foreign Cooperative Venture)	Changchun	Li Baojie	Steel production processing and service	RMB90.374 million	50	50
TKAS-SSC	Limited Liability Company (Sino-Foreign Cooperative Venture)	Changchun	Hairdabol Rudolph	Steel processing and sale	USD12 million	50	50
AutoSteel Chongqing	Limited Liability Company	Chongqing	Duan Xinagdong	Galvanized coil, aluminum coil production, processing, etc	RMB100 million	50	50

Investee	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total revenue for this period	Net profit for this period
ANSC-TKS	2,653	325	2,328	3,280	524
ANSC-Dachuan	1,159	712	447	694	
Changchun FAM	311	119	192	317	11
TKAS-SSC	451	304	147	367	7
Auto Steel Chongqing	277	177	100		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(8) LONG-TERM EQUITY INVESTMENTS (Continued)**

(c) Investments In Joint Ventures And Associates (Continued)

(ii) Associates of the Group

Investees	Type	Registered Place	Legal representative	Nature of business	Registered capital	Proportion of shareholding (%)	Proportion of voting-rights (%)
TKAS	Sino-Foreign Joint Venture	Changchun	Hairdabol Rudloph	Laser bonding producing	USD10 million	45	45
Entity Packing	Limited Liability Company	Anshan	Zhang Leng	Packaging steel belt and steel processing	RMB35.73 million	30	30
Angang Finance	Limited Liability Company	Anshan	Yu Wanyuan	Deposit and loan	RMB2 billion	20	20
Iron Oxide Powder	Limited Liability Company	Anshan	Yuan Xuefeng	Iron oxide powder processing	RMB2 million	30	30
Nansha Logistical	Limited Liability Company	Guangzhou	Hao Weiqiang	Sale, packaging, Trade, distribution	RMB160 million	45	45
Shanghai Huagongbao	Limited Liability Company	Shanghai	Qian jianxing	E-commerce, chemical raw materials and products approved and purchasing consignment	RMB6.5 million	23	23

Name of investees	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total revenue for this period	Net profit for this period
TKAS	301	104	197	338	24
Entity Packing	15			15	
Angang Finance	17,707	12,327	5,380	475	255
Iron Oxide Powder	10	14	(4)	2	(1)
Nansha Logistical	229	70	159	118	
Shanghai Huagongbao	9	3	6	2	

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) FIXED ASSETS

(a) Analysis of fixed assets

Items	Opening balance	Increase of the period	Decrease of the period	Closing Balance
Cost	90,752	898	271	91,379
Buildings and Plants	24,457	283	30	24,710
Machineries and equipment	61,638	628	228	62,038
Others	4,657	(13)	13	4,631
Accumulated depreciation	45,264	1,952	239	46,977
Buildings and Plants	7,688	294	17	7,965
Machineries and equipment	34,134	1,470	209	35,395
Others	3,442	188	13	3,617
Net book value	45,488			44,402
Buildings and Plants	16,769			16,745
Machineries and Equipment	27,504			26,643
Others	1,215			1,014
Provision for impairment	36			36
Buildings and Plants	6			6
Machineries and Equipment	27			27
Others	3			3
Carrying value	45,452			44,366
Buildings and Plants	16,763			16,739
Machineries and Equipment	27,477			26,616
Others	1,212			1,011

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(9) FIXED ASSETS (Continued)**

(a) Analysis of fixed assets (Continued)

Note: The depreciation of this period was RMB1,952 million. The cost of constructions in progress transferred into fixed assets is RMB856 million in current period.

(b) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying value	Notes
Buildings and Plants	7	2		5	
Machineries and Equipment	251	196	5	50	
Others	38	22	3	13	
Total	296	220	8	68	

(c) The Group had no financial leased-in fixed asset as at 30 Jun. 2014.

(d) Fixed assets held under finance lease

Items	Closing carrying value	Opening carrying value
Buildings and Plants	33	34
Machineries and Equipment	57	59
Total	90	93

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) CONSTRUCTIONS IN PROGRESS

(a) Details of constructions in progress

Items	Closing balance		Opening balance			
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Bayuquan Project	3,103		3,103	2,980		2,980
Shenyang Project	115		115	106		106
Wuhan Project	106		106	101		101
Hefei Project	1		1	93		93
Guangzhou Project	32		32	11		11
Dalian Project	41		41	8		8
Chemical Plant Renovation	337		337	928		928
Chemical Fifth-Stage Coke Oven Renovation Project	416		416	282		282
Steelmaking Plant Environmental Protection Project	131		131			
North and South Coal Field renovation project	222		222	142		142
Others	1,592		1,592	1,105		1,105
Total	6,096		6,096	5,756		5,756

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(10) CONSTRUCTIONS IN PROGRESS (Continued)**

(b) Changes in major constructions in progress

Items	Budget	Opening balance	Increase of the period	Transferred	Other decrease	Closing balance
				into fixed assets		
Bayuquan Project	7,002	2,980	178	54	1	3,103
Shenyang Project	135	106	9			115
Wuhan Project	222	101	5			106
Hefei Project	112	93	4	96		1
Guangzhou Project	100	11	21			32
Dalian Project	219	8	33			41
Chemical Plant						
Renovation	1,149	928	28	619		337
Chemical Fifth-Stage						
Coke Oven						
Renovation Project	1,523	282	134			416
Steelmaking Plant						
Environmental						
Protection Project	1,000	131				131
North and South						
Coal Field						
renovation project	430	142	80			222
Others	11,497	1,105	574	87		1,592
Total		5,756	1,197	856	1	6,096

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) CONSTRUCTIONS IN PROGRESS (Continued)

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

Items	Accumulated capitalized borrowing cost	Of which: capitalized this period	Capitalization rate (%)	Expenditure over budget (%)	Project progress (%)	Resource of fund
Bayuquan Project	517	68	5.895	47	47	Self-financing
Shenyang Project				85	85	Self-financing
Wuhan Project	4	2	6.4	49	49	Self-financing
Hefei Project	1		5.54	100	100	Self-financing
Guangzhou Project				32	32	Self-financing
Dalian Project				19	19	Self-financing,
Chemical Plant Renovation	204	12	5.65	66	66	Self-financing, Borrowings
Chemical Fifth-Stage Coke Oven Renovation Project	27	18	5.65	26	26	Self-financing
Steelmaking Plant Environmental Protection Project	3	3	5.65	13	13	Self-financing
North and South Coal Field renovation project	7	5	5.65	50	50	Self-financing
Others	595	22	5.65	58	58	Self-financing
Total	1,358	130				

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

(c) As at 30 Jun. 2014, there was no construction in progress whose carrying value was higher than its realizable value.

(11) CONSTRUCTION MATERIALS

Items	Opening balance	Increase of the period	Decrease of the period	Closing balance
Special equipment	26	604	517	113
Total	26	604	517	113

Note: The increasing in construction materials compared with the end of the previous year was mainly due to the project did not receive.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) INTANGIBLE ASSETS

Items	Opening balance	Increase of the period	Decrease of the period	Closing balance
Total cost	7,390			7,390
Land use right	7,311			7,311
software	47			47
Non-patented technology	32			32
Accumulative amortization	1,243	77		1,320
Land use right	1,175	74		1,249
software	37	3		40
Non-patented technology	31			31
Total net book value	6,147			6,070
Land use right	6,136			6,062
software	10			7
Non-patented technology	1			1
Total provision for impairment				
Land use right software				
Non-patented technology				
Total book value	6,147			6,070
Land use right	6,136			6,062
software	10			7
Non-patented technology	1			1

Note: The amortization of this period was RMB77 million.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) 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	145	580	152	609
Deductible loss	2,291	9,164	2,528	10,114
Salaries payable	56	225	56	225
Accumulated depreciation of fixed assets	6	22	6	22
Unrealized inter-group profit	41	164	41	164
Government grants	200	802	195	781
Fair value variation on Available-for-sale financial assets	5	19	6	25
Termination benefits	1	4	2	7
Employee training expenses	15	58	15	58
Total	2,760	11,038	3,001	12,005

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(13) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES (Continued)**

(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
Capitalized borrowing costs	20	79	20	79
Total	20	79	20	79

(14) PROVISIONS FOR IMPAIRMENT

Items	Opening balance	Increase of this period	Decrease of this period		Closing balance
			Written back	Written off	
Provision for written-down of inventories	573	1,035		1,119	489
Provision for impairment of fixed assets	36				36
Total	609	1,035		1,119	525

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) SHORT-TERM LOANS

Items	Closing balance	Opening balance
Credit loans	11,038	9,241
Total	11,038	9,241

(16) NOTES PAYABLE

Types of notes	Closing balance	Opening balance
Bank acceptances	281	47
Total	281	47

Note:

- i. The amount due within the next Closing was RMB 281 million.
- ii. The decrease in notes payable as compared with the end of the previous year was mainly due to the RMB 281 million increasing of the notes payable to be issued.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(17) ACCOUNT PAYABLES**

- (a) Classification of account payables by nature

Items	Closing balance	Opening balance
Account payables for purchasing	10,357	14,782
Construction payables	216	407
Operation expenses on supporting production	67	65
Freight	17	32
Others	43	57
Total	10,700	15,343

Note: The 30% decrease in accounts payable as compared with the end of the previous year was mainly due to the decreasing 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).

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) ACCOUNT PAYABLES (Continued)

(c) Significant account payables aging over 1 year

Creditor	Balance owed	Aging
TangyuanTianyu Coal & Coke Energy Co., Ltd	43	1-2 years
Total	43	

(d) Aging of account payables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	10,605	100	15,232	99
1 to 2 years	48		44	
2 to 3 years	1		2	
Over 3 years	46		65	1
Total	10,700	100	15,343	100

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(18) ADVANCES FROM CUSTOMERS**

- (a) Classification of advances from customers by nature

Items	Closing balance	Opening balance
Selling of products	4,899	4,031
Total	4,899	4,031

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

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	4,862	100	4,001	99
1 to 2 years	11		12	1
2 to 3 years	4		8	
Over 3 years	12		10	
Total	4,889	100	4,031	100

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) EMPLOYEE BENEFITS PAYABLE

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
1. Salaries, bonus and allowance	215	1,175	1,117	273
2. Staff welfare		128	103	25
3. Social insurance		416	416	
Including: Basic medical insurance		86	86	
Supplementary pension insurance		25	25	
Basic pension insurance		241	241	
Annuity payment (Supplementary pension insurance)		41	41	
Unemployment insurance		12	12	
Staff and workers' injury insurance		11	11	
Others				
4. Housing fund		138	138	
5. Labor union fee and staff training fee	62	27	27	62
6. Termination benefits	4	22	24	2
7. Others		33	33	
Total	281	1,939	1,858	362

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(20) TAXES AND SURCHARGES PAYABLE**

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
VAT	(502)	506	99	(95)
Resource tax		1	1	
Corporate income tax	(14)	2	2	(14)
City maintenance and construction tax		43	32	11
Property tax	9	53	53	9
Land use tax	24	139	140	23
Individual income tax	10	26	30	6
Educational surcharges		19	14	5
Local educational surcharges		12	9	3
Stamp tax	9	28	31	6
Others	(86)	115		29
Total	(550)	944	411	(17)

Note: The 97% increase in taxes compared with end of the previous year was mainly due to the inclusion increase of actual amount of VAT payable at the end of this period.

(21) INTERESTS PAYABLE

Items	Closing balance	Opening balance
Interest for short-term financing bonds	135	86
Interest for medium term notes	20	110
Total	155	196

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) OTHER PAYABLES

(a) Classification of other payables by nature

Items	Closing balance	Opening balance
The Energy-saving and Emission-reducing funds transferred by Anshan Iron & Steel Group Complex	364	364
Construction payables	429	493
Quality assurance - project/ spare parts	611	599
Freight charges	131	165
Deposit for steel shelves	91	82
Performance assurance	117	116
Others	161	125
Total	1,904	1,944

(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)**(22) 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	74	Project quality assurance	No
Acre Coking & Refractory Engineering Technology Corporation	55	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	29	Project quality assurance	No
China Sanye Group Co., LTD	17	Project quality assurance	No
Others	298	Project quality assurance	No
Total	542		

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) OTHER PAYABLES (Continued)

(d) Aging of other payables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	1,362	72	1,389	71
1 to 2 years	97	5	91	5
2 to 3 years	99	5	161	8
Over 3 years	346	18	303	16
Total	1,904	100	1,944	100

(23) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR

(a) Long-term liabilities due within 1 year

Items	Closing balance	Opening balance
Long-term loans due within 1 year (Note.(25))	1,801	1,271
Total	1,801	1,271

Note: The 42% increase in long-term liabilities due within 1 year as compared with end of previous year was mainly due to the increasing of the loan repayment of long-term loans due within 1 year.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(23) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR (Continued)**

(b) Long-term loans due within 1 year

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

Items	Closing balance	Opening balance
Credit loans	1,801	1,271
Total	1,801	1,271

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

Lender	Commencement date	Due date	Interest Rate (%)	Closing balance	Opening balance
China Construction Bank Angang Branch	27 Jul. 2011	26 Jul. 2014	5.535	500	500
Agricultural Bank of China Anshan Lishan Branch	17 May 2012	15 May. 2015	5.535	400	400
Bank of China Anshan Branch	30 Aug. 2011	29 Aug. 2014	5.535	300	300
Agricultural Bank of China Anshan Lishan Branch	17 May 2012	5 May 2015	5.535	300	300
Agricultural Bank of China Anshan Lishan Branch	17 May 2012	8 May 2015	5.535	300	300
Total				1,800	1,800

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

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(24) OTHER CURRENT LIABILITIES

Items	Nature	Closing balance	Opening balance
Short-term financing bonds		6,000	6,000
Deferred income	Government grants related to assets	23	1
Total		6,023	6,001

(25) LONG-TERM LOANS

(a) Classification of Long-term loans

Items	Closing balance	Opening balance
Guaranteed loans (see note ii)	21	21
Credit loans	3,524	4,294
Less: long-term loans due within 1 year (Note: 7(23))	1,801	1,271
Total	1,744	3,044

Note:

- i. The 43% decrease in long-term loans as compared with the end of previous year was mainly due to a) the loan prepayment of the loans, b) the long-term loans due within one year was classified as non-current liabilities due within one year;
- ii. Guaranteed loans were used in Angang Hefei for operating funds supplement. It was guaranteed by Anshan Iron & Steel Group Complex.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(25) LONG-TERM LOANS**

(b) Top five long-term loans

Lender	Commencement date	Expiry date	Interest rate (%)	Closing balance	Opening balance
Industrial and Commercial Bank of China Angang Branch	13 Dec. 2012	3 Dec. 2015	5.535	300	300
Bank of China Angang Branch	13 Mar. 2013	12 Mar. 2016	5.535	290	290
Bank of China Angang Branch	22 Jan. 2014	20 Jan. 2017	6.15	200	200
Bank of China Angang Branch	28 Sep. 2012	26 Sep. 2015	5.535	200	200
Bank of China Angang Branch	28 Mar. 2013	24 Mar. 2016	5.535	180	180
Total				1,170	1,170

(26) 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	3,978
Total	4,000			4,000	3,978

Type of bonds	Opening balance of interests payable	Increase of the period	Decease of the period	Closing balance of interests payable
Medium term note	110	90	180	20
Total	110	90	180	20

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) OTHER NON-CURRENT LIABILITIES

Items	Opening balance	Increase of the period	Decrease of the period	Closing balance
Deferred income	932	28	46	914
Termination benefits	3			3
Total	935	28	46	917

(28) SHARE CAPITAL

Items	Opening balance		Changes of the period (+,-)					Closing balance	
	Balance	Proportion (%)	New shares issued	Shares transferred		Others	Subtotal	Balance	Proportion (%)
				Bonus issue	from reserves				
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)**(29) CAPITAL RESERVE**

Items	Opening balance	Increase of the period	Decease of the period	Closing balance
Share premium	31,144			31,144
Other capital reserve	(8)	5	9	(12)
Including: Fair value variation on available-for-sale financial assets	(8)	5		(3)
Total	31,136	5	9	31,132

Note: Fair value changes of available for sale financial assets increased 5 million Yuan of the capital reserves at this period; confirm the share enjoyed by other changes in equity investee reduce capital reserve 9 million.

(30) SPECIAL RESERVE

Items	Opening balance	Increase of the period	Decease of the period	Closing balance
Safety production expenses	21	33	10	44
Total	21	33	10	44

Note: The increase in special reserve as compared with end of the previous year was mainly due to the safety production expenses accrued more than expended.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) SURPLUS RESERVE

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

(32) UNDISTRIBUTED PROFITS

Items	This period
Opening balance	
Increase of the period	5,054
Including: Net profit transferred this period	577
Other adjustment factors	577
Decease of the period	
Including: Extraction of surplus reserve this period	195
Extraction of general risk provisions this period	
Distribution of cash dividend this period	
Conversed capital	195
Other deceases	
Closing balance	5,436

Note: On 4 June 2014, the Annual General Meeting of Shareholders of 2013 considered and approved the profit distribution plan for 2013, based on the total share capital 7,234,807,847 shares as at 31 December 2013. The Company declared cash dividend of RMB0.027 per share to the shareholders, representing a total of RMB195 million distributed to the shareholders.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(33) OPERATING INCOME AND OPERATING COST**

- (a) Operating income and operating cost

Items	This period	Last period
Operating income		
from main business	37,961	36,887
Other operating income	216	35
Total	38,177	36,922
Operating cost		
for main business	34,015	32,395
Other operating cost	139	28
Total	34,154	32,423

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

- (b) Main business by industry

Name of industry	This period		Last period	
	Operating income from main business	Operating cost from main business	Operating income from main business	Operating cost from main business
Ferrous metal smelting and steel rolling process	37,961	34,015	36,887	32,395
Total	37,961	34,015	36,887	32,395

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(33) OPERATING INCOME AND OPERATING COST (Continued)

(c) Main business by products

Name of products	This period		Last period	
	Operating income from main business	Operating cost from main business	Operating income from main business	Operating cost from main business
Hot rolled products	12,615	11,992	12,968	11,755
Cold rolled products	12,788	10,850	13,270	10,984
Medium and thick plate	5,343	4,735	4,389	3,828
Others	7,215	6,438	6,260	5,828
Total	37,961	34,015	36,887	32,395

(d) Operating income by region

Regions	This period		Last period	
	Operating income	Operating cost	Operating income	Operating cost
China	33,808	30,183	33,797	29,491
Overseas	4,153	3,832	3,090	2,904
Total	37,961	34,015	36,887	32,395

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(33) OPERATING INCOME AND OPERATING COST (Continued)**

(e) Operating income from top five customers

Period	Operating income from top five customers	Proportion (%)
This period	6,110	16
Last period	5,057	14

(34) BUSINESS TAXES AND SURCHARGES

Items	This period	Last period
Resources tax and business tax	1	2
City maintenance and construction tax	43	70
Educational surcharge and local educational surcharge	31	50
Total	75	122

Note:

- I Business taxes and surcharges paid complying with Note 5.
- II The 39% decreased in business taxes and surcharges during the reporting period as compared with last period was mainly due to a) the decrease in value-added tax payable recognized during the reporting period; and b) the payment of surcharges for export products during the reporting period, albeit an decrease in approval of exemption, offsetting and refund of taxes.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) MARKETING EXPENSES

Items	This period	Last period
Packing expense	235	250
Delivery expense	582	387
Sales and service expense	75	54
Agency fee for commissioned sales	22	10
Employee benefits	66	39
Insurance expense	2	4
Warehouse storage expense	2	1
Others	50	45
Total	1,034	790

Note: The 31% increased in marketing expenses as compared with last period was mainly due to a) the increasing of sales; b) optimized the logistics management, the increasing of sales steel CIF settlement amount, resulted in the increasing of delivery expense.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(36) ADMINISTRATIVE EXPENSES**

Items	This period	Last period
Repair and maintenance	6	770
Employee benefits	222	257
Taxes	223	222
Amortization of intangible assets	77	82
Depreciation	36	37
Sewage fee	39	41
Assistance for production expense	47	44
Computer maintenance expense	16	19
Security and firefighting expense	6	26
Warehouse expenditure	4	5
Salaries payable	33	31
Others	122	210
Total	831	1,744

Note: The 52% decreased in administrative expenses as compared with last period was main due to the company put repair expenses and production of relevance for further detailed analysis, and a part of expenses classified as manufacturing costs.

(37) FINANCIAL EXPENSES

Items	This period	Last period
Interest expense	800	853
Less: Interest income	4	13
Less: Capitalized interest expense	130	138
Exchange gain or loss	4	(14)
Less: Capitalized exchange gain or loss		
Others	9	19
Total	679	707

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) INVESTMENT INCOME

(a) Details of investment income

Items	This period	Last period
Long-term equity investment income measured at cost method	85	1
Long-term equity investment income measured at equity method	320	261
Investment income from disposal of long-term equity investments		22
Total	405	284

Note:

- i. The 43% increase in financial expenses as compared with the last period was mainly due to the Increase in dividend for issue of WISDRI and the increase in net profit of ANSC-TKS.
 - ii. There was no severe restriction on the transfer of investment income to the Group.
- (b) Long-term equity investment income measured at cost method

Investees	This period	Last period
WISDRI	85	
Falan Packing		1
Total	85	1

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(38) INVESTMENT INCOME (Continued)**

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

Investees	This period	Last period
ANSC-TKS	262	205
Angang Finance	38	37
TKAS	11	10
TKAS-SSC	3	4
Changchun FAM	6	5
Total	320	261

(39) IMPAIRMENT LOSSES

Items	This period	Last period
Provision for written-down of inventories	1,035	842
Total	1,035	842

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(40) NON-OPERATING INCOME

Items	This period	Last period	Recorded into extraordinary gains and losses
Total gains from disposal of non-current assets	19	10	19
Including: Gains on fixed assets scrapped	19	10	19
Other gains on disposal of fixed assets			
Government grant (Disclosed in the below: Details of government grants)	60	63	60
Others	2	1	2
Total	81	74	81

Details of government grants:

Items	This period	Last period
R & D subsidy	1	37
Environmental rewards	43	20
Military project grants	15	6
Others	1	
Total	60	63

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(41) NON-OPERATING EXPENSES**

Items	This period	Last period	Recorded into extraordinary gains and losses
Total loss on disposal of non-current assets	32	19	32
Including: Loss on fixed assets scrapped	32	19	32
Other loss on disposal of fixed assets			
Others	5	1	5
Total	37	20	37

Note: The 85% increase in non-operating expenses during this period as compared with last period was mainly due to the increase of the loss on fixed assets retired.

(42) INCOME TAX EXPENSES

Items	This period	Last period
Current Income tax expenses	1	9
Deferred income tax expenses	240	(65)
Total	241	(56)

Note: The increase in income tax expenses during this period as compared with last period was mainly due to the profit situation analysis and adjusted the deferred income tax expense.

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) BASIC EPS AND DILUTED EPS

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

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

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

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(43) BASIC EPS AND DILUTED EPS (Continued)**

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

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

(a) Basic EPS and diluted EPS

	This period		Last period	
	Basic EPS (RMB Yuan/ share)	Diluted EPS (RMB Yuan/ share)	Basic EPS (RMB Yuan/ share)	Diluted EPS (RMB Yuan/ share)
Net profit				
Net profit attributable to ordinary shareholders	0.080	0.080	0.097	0.097
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	0.075	0.075	0.088	0.088

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) BASIC EPS AND DILUTED EPS (Continued)

(b) Calculation of basic EPS and diluted EPS

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

Items	This period	Last period
Net profit attributable to ordinary shareholders	577	702
Including: Net profit attributable to continuing operations	577	702
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	544	635
Including: Net profit attributable to continuing operations	544	635

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(43) BASIC EPS AND DILUTED EPS (Continued)**

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

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

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

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

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) OTHER COMPREHENSIVE INCOME

Items	This period	Last period
1. Gain from the a available-for-sale financial assets	6	(42)
Minus: Income tax impact resulted from available-for-sale financial assets	(1)	(10)
subtotal	5	(32)
2. The share of investees' other comprehensive income under equity method	(9)	
Minus: Income tax impact on the share of investees' other comprehensive income under equity method		
subtotal	(9)	
Total	(4)	(32)

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(45) NOTES TO THE CASH FLOW STATEMENT**

(a) Cash received from other operating activities

Items	This period	Last period
Government grants	65	112
Others	21	16
Total	86	128

(b) Cash paid for other operating activities

Items	This period	Last period
Freight fee payments for others	854	375
Sewage fee	39	40
Insurance fee	26	44
Purchases and sales business fee	17	12
Computer maintenance fees	9	10
Green fees	9	10
Security and fire fighting expense	8	8
Other operating expenses	372	197
Total	1,334	696

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(c) Cash received from other investing activities

Items	This period	Last period
Income from test run	84	48
Interest income	4	13
Net cash from assets replacement and equity transfer		844
Total	88	905

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(46) SUPPLEMENT TO CASH FLOW STATEMENT**

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

Supplement	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	577	688
Add: Provision for impairment	(84)	97
Depreciation of fixed assets	1,952	2,094
Amortization of intangible assets	77	82
Amortization of deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("—" for gains)		
Loss on scrap of fixed assets	13	9
Loss on the change of fair value		
Financial expenses	675	700
Investment loss	(405)	(284)
Decrease in deferred tax assets ("—" for increase)	241	(65)
Increase in deferred tax liabilities ("—" for decrease)		
Decrease in inventories ("—" for increase)	29	(556)
Decrease in operating receivables ("—" for increase)	1,693	4,412
Increase in operating payables ("—" for decrease)	(3,421)	3,451
Others	38	35
Net cash flow from operating activities	1,385	10,663

7. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46) SUPPLEMENT TO CASH FLOW STATEMENT

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

Supplement	This period	Last period
2. Change in cash and cash equivalents		
Cash at the end of this period	1,214	1,893
Less: cash at the beginning of this period	1,126	2,049
Add: cash equivalents at the end of this period		
Less: cash equivalents at the beginning of this period		
Net increase in cash and cash equivalents	88	(156)

(b) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
1. Cash at bank and on hand	1,214	1,126
Cash	1	1
Bank deposits available	1,213	1,111
Other deposits available		14
2. Cash equivalents		
Bond due within 3 months		
3. Closing balance of cash and cash equivalents	1,214	1,126

8. ACCOUNTING TREATMENT OF ASSET SECURITIZATION

The Group had no operation about asset securitization in this period

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**(1) INFORMATION ON THE PARENT OF THE COMPANY**

Group Name	Related relationship	Group Type	Registration place	Legal representatives	The nature of business
Anshan Iron & Steel Group Complex	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
Anshan Iron & Steel Group Complex	10,794	67.80	67.80	Angang Group Company	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 (8) (c).Investment in joint ventures and associates

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(Continued)

(4) RELATED PARTIES WITHOUT CONTROL RELATIONSHIP

Name of enterprise	Relation with the Company	Organization code
ANSC-TKS	Joint venture	71093688-2
ANSC-Dachuan	Joint venture	75990387-0
TKAS-SSC	Joint venture	78592605-6
Changchun FAM	Joint venture	76717649-0
AutoSteel Chongqing	Joint venture	09453042-3
Entity Strip	Associate	67045884-6
TKAS	Associate	76715978-9
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	66455726-6
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
Angang Group Chaoyang Anling Iron & Steel Co. Ltd ("Anling Steel")	Fellow subsidiary	66456099-1
Angang Tiantie	Fellow subsidiary	75224243-2
PangangSteel Vanadium and Titanium Co., Ltd	Fellow subsidiary	20436095-6
PangangSteel Metallurgical Engineering Technology Co.,Ltd	Fellow subsidiary	20436391-1
Pangang Steel Chengdu Steel Vanadium co., Ltd	Fellow subsidiary	69090807-4
Anshan Angang Vesuvius Refractory Co., Ltd	Joint venture of the parent company	68661952-8
Anshan Jidong Cement Co., Ltd	Joint venture of the parent company	77077858-X
Angang BK Jilini Water TREATMENT Co.,Ltd	Joint venture of the parent company	68661847-X

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS*(Continued)***(5) RELATED-PARTY TRANSACTIONS**

(a) Related-party transactions within Anshan Iron & Steel Group Complex

(i) Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Period		Last Period	
		Amount	Percent of similar trade (%)	Amount	Percent of similar trade (%)
Raw materials	Note. i	7,753	47	6,867	58
Steel Business	Note. ii	73	100		
Supplementary materials	Note. ii	1,127	25	932	25
Energy and power supplies	Note. iii	834	33	772	28
Support services	Note. iv	2,065	61	1,975	62
Total		11,852		10,546	

(ii) Related-party transactions on Sales of Goods and Services

Contents	Pricing Policy	This Period		Last Period	
		Amount	Percent of similar trade (%)	Amount	Percent of similar trade (%)
Products	Note. v	1,895	5	1,205	3
Scrap steel and materials	Note. v	85	57	59	78
General services	Note. vi	395	38	319	39
Total		2,375		1,583	

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) RELATED-PARTY TRANSACTIONS (Continued)

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

Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Period		Last Period	
		Amount	Percent of related transactions	Amount	Percent of related transactions (%)
Raw materials	Note. i	754	7	580	8
Total		754		580	

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); Magnetite price is the sum of reference price and Port Freight Differential (including: Reference Price is the monthly average value of the medium price of Platts 65% (apply to standard product) or 62% (apply to low standard products) (CFR) (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin, divided by 65 or 62 (based on USD cents per thousand tons ton). Port Freight Differential is the applicable products for thousand tons of the cargo by sea freight ton of mineral from Qingdao port to Bayuquan in Liaoning divided by 65 (apply to low standard products) or 62% (apply to low standard products)); scrap, billets, alloys and non-ferrous metal are purchased at market prices;

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS*(Continued)***(5) RELATED-PARTY TRANSACTIONS** *(Continued)*

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

- 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 Anshan Iron & Steel Group Complex 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 Anshan Iron & Steel Group Complex

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.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) RELATED-PARTY TRANSACTIONS (Continued)

(c) Guarantee of loans

Warrantor	Warrantyee	Amount Guaranteed	Starting date	Expiring date	Whether fulfilled
Anshan Iron & Steel Group Complex	Angang Hefei	21	5 Mar. 2013	6 Sep. 2016	No

(d) Directors' and supervisors' remunerations

The interval of remunerations (RMB)	This period	Last period
Total	1	2
Including: (number of people)		
Over 0.20 million		7
0.15 to 0.20 million		
0.10 to 0.15 million	5	
Within 0.10 million	1	3

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS*(Continued)***(5) RELATED-PARTY TRANSACTIONS** *(Continued)*

(e) Other related-party transactions

(i) Service from sales agent

The amount of export agent of products the Group received from Angang Trade were 1.08 million tons respectively for this period (0.77 million tons for last period).

(ii) Related-party transactions with the joint ventures and the associates:

A. Sales of products

Name of enterprise	Sales in this period	Sales in Last period
ANSC-TKS	2,220	1,935
TKAS-SSC	152	143
Changchun FAM	58	12
TKAS	37	28

B. Service of sales agent

The domestic sales amount the Group received from TKAS-SSC was RMB1 million for this period (1 million for last period).

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) RELATED-PARTY TRANSACTIONS (Continued)

(e) Other related-party transactions (Continued)

(iii) Acquisition of assets

The Company acquired Pellet production equipment from Anshan Iron & Steel Group Complex for RMB 8million.

(iv) Loan, deposit and interest payment to Angang Finance

Items	Annual interest rate (%)	Opening balance	Increased	Decreased	Closing balance	Terms of credit
Loan	4.535-6	1,711		1,690	21	Guarantee Loan
Deposit		768			822	

This period the Group's interest income of deposit in Angang finance was RMB2 million (Last period: RMB3 million) and the interest payment for loans from Angang finance was RMB26 million (Last period: RMB113 million). The highest daily deposit in Angang Finance at this period was RMB3,426 million (Last period: 5,795 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	578	675
Anling Steel	8	384
TKAS-SSC	162	108
Angang Construction Group Co., Ltd	29	21
Anshan Jidong Cement Co., Ltd		13
Pangang Steel Chengdu Steel Vanadium Co., Ltd	36	3
Angang Engineering Technology Co., Ltd	25	
Anshan Iron & Steel Group Complex	1	
Angang Steel Rope Co., LTD	7	
Angang Industrial Group Co., LTD	2	
Other Related Parties	1	1
Total	849	1,205

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) BALANCES OF RELATED-PARTY TRANSACTIONS (Continued)

(a) Accounts receivable and prepayments (Continued)

Items	Closing balance	Opening balance
Prepayment		
Angang Trade	2,193	2,063
Angang Engineering Technology Co., Ltd	97	108
Anling Steel	90	92
Pangang Steel Metallurgical Engineering Technology Co., Ltd	23	26
Angang Construction Group Co., Ltd	27	26
Angang Heavy Machine Co., Ltd	65	12
Angang Mining Construction Co PangangSteel Chengdu Steel Vanadium Co., Ltd	4	7
Angang Mining Co.	64	18
Angang information and industry Co.	43	
Angang Automatism Co.	5	
Anshan Iron & Steel Group Complex	4	
Angang Entity Group	2	
Angang Railway Transport Facilities Construction Co.	1	
Total	2,618	2,352
Other receivables		
Angang Construction Group Co., Ltd		1
Total		1

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	4,893	8,783
Angang Construction Group Co., Ltd	16	43
Angang Entity Group Co., Ltd	22	40
Angang Heavy machine Co., Ltd	16	22
ANSC-Dachuan	30	17
Angang Mining Construction Co., Ltd	1	15
Anling Steel	12	12
Angang Automatism Co	5	9
Angang Electric Co., Ltd	3	8
Angang Real Estate Development Co., Ltd	2	8
Falan Packing	8	8
Angang Auto Transport Co., Ltd	11	7
Anshan Iron & Steel Group Complex	40	6
Angang Mining Co		5
Angang Railway Transport Facilities Construction Co		3
Angang Steel Rope Co., Ltd	3	3
Angang Engineering Technology Co., Ltd	1	1
Angang Group energy-saving and technologies Services Co., Ltd	1	
Total	5,064	8,990

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
Receivables in advance		
ANSC-TKS	36	61
Angang Steel Rope Co., Ltd.		9
Angang Mining Co., Ltd	13	9
Angang Construction Group Co., Ltd.	1	1
Angang Entity Group Co., Ltd.	13	6
Falan Packing	16	6
Anshan Iron & Steel Group Complex	90	69
Changchun FAM	12	11
TKAS	5	18
Angang Trade	787	
Pangangsteel Group Jiangyou Changcheng Special Steel Co., Ltd	2	
Angang Heavy machinery Co., Ltd	5	
Total	980	190

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		
Anshan Iron & Steel Group Complex	417	366
Angang Engineering Technology Co., Ltd	200	121
Angang Construction Group Co., Ltd.	79	79
Angang Trade	31	39
Angang Automatism Co.	21	32
Angang Mine Construction Co., Ltd	18	23
Angang Entity Group Co., Ltd	23	22
Angang Heavy Machine Co., Ltd	6	11
Angang Auto Transport Co., Ltd		6
Angang Electric Co., Ltd	11	5
Angang Real Estate Development Co., Ltd	2	3
Angang Railway Transport Facilities Construction Co.	4	1
Pangang Steel Metallurgical Engineering Technology Co., Ltd	4	
Other Related Parties	3	4
Total	819	712

10. SHARE-BASED PAYMENT

As at June.30, 2014, the Group had no share-based payment to be disclosed.

11. CONTINGENCIES

As at June.30, 2014, the Group had no contingencies to be disclosed.

12. COMMITMENTS

(1) SIGNIFICANT COMMITMENTS

Items	As at 30 Jun. 2014	As at 31 Dec. 2013
Investment contracts entered but not performed yet or performed partially	745	1,402
Construction and renovation contracts entered but not performed yet or performed partially	4,985	3,022
Total	5,730	4,424

(2) PERFORMANCE OF THE COMMITMENT IN PREVIOUS YEARS

As at Jun. 30, 2014, the Group has performed all their commitments according to the promise of these commitments before.

13. SUBSEQUENTEVENTS

The company Twentieth Meeting of the Sixth Board of Directors on July 25, 2014 approved “The motion about the Company acquired the Equipment Maintenance Center assets with Anshan Iron & Steel Group Complex ”:

In order to maximize the performance of the device resource management, improve the efficiency of equipment operating, promote the optimization of human resources, and reduce operating costs, the Company acquired the Equipment Maintenance Center assets from Anshan Iron & Steel Group Complex, and signed the “Assets Acquisition Agreement” with AnSteel Group. The asset purchase price of the transaction was RMB 5,883 million, the appraised assets value was determined by the assessment report issued by China United Assets Appraisal Group Limited.

14. OTHER SIGNIFICANT INSTRUCTIONS

As at 30 June 2014, the Group had no other significant transaction to be disclosed.

15. NOTES TO PARENT'S FINANCIAL STATEMENTS

(1) ACCOUNTS RECEIVABLE

- (a) Nature of accounts receivable

Items	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	2,766	88		
Other accounts receivable with insignificant single amount subject to individual impairment	367	12		
Total	3,133	100		

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)**(1) ACCOUNTS RECEIVABLE (Continued)**

(a) Nature of accounts receivable (Continued)

Type	Book value		Opening balance	
	Balance	Percentage (%)	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		

(b) Aging analysis of accounts receivable

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,133	100	3,096	100
1 to 2 years			5	
2 to 3 years				
Over 3 years			1	
Total	3,133	100	3,102	100

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

(1) ACCOUNTS RECEIVABLE (Continued)

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

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

- (d) Account receivables due from shareholders with more than 5% (including 5%) voting rights of the Company at the end of the period is disclosed as follows:

Debtor	Closing balance		Opening balance	
	Balance	Bad debt provision	Balance	Bad debt provision
Anshan Iron & Steel Group Complex	1			
Total	1			

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)**(1) ACCOUNTS RECEIVABLE (Continued)**

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

Debtors	Relationship	Balance	Aging	Percentage (%)
Angang Trade	Fellow subsidiary	578	With 4 months	18
Angang Shanghai	subsidiary	309	With 1 months	10
Shenyang Trade	subsidiary	293	With 1 months	9
Procurement Center of China First Automobile Co., Ltd	Third party	232	With 1 year	7
Shanghai Trade	subsidiary	216	With 1 months	7
Total		1,628		51

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

(1) ACCOUNTS RECEIVABLE (Continued)

(f) Related party transactions are disclosed as follows:

Item	Closing balance	Opening balance
Angang Trade	578	675
Anling Steel	8	384
Shenyang Trading	293	383
Shanghai Trading	216	164
Angang Shanghai	309	158
ANSC-Changchun	162	108
Chengdu Trading		105
Tianjin Trading	30	87
Guangzhou Trading	21	73
Angang Guangzhou	207	44
Angang Hefei	31	41
Angang Construction Group Co., Ltd.	29	21
AngangTianjin	6	17
Anshan Jidong cement Co., Ltd		13
Pangang Chengdu Co., Ltd	36	3
Angang Weifang		2
Angang Electric Co., Ltd	1	1
Anshan Iron & Steel Group Complex	1	
Angang Heavy Machine Co., Ltd	25	
Yantai Trading	132	
Angang Steel Rope Co., Ltd.	7	
Other	2	1
Total	2,094	2,280

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	18	100		
Total	18	100		

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

(2) OTHER RECEIVABLES

(a) Nature of other receivables

Type	Book value		Opening balance	
	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		

(b) Aging of other receivables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	8	41	7	41
1 to 2 years				
2 to 3 years				
Over 3 years	10	59	10	59
Total	18	100	17	100

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)**(2) OTHER RECEIVABLES (Continued)**

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

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

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

(3) LONG-TERM EQUITY INVESTMENTS

- (a) Types of long-term equity investments

Type	Opening balance	Increase of the period	Decrease of the period	Closing balance
Investments in subsidiaries	587	267		854
Investments in joint ventures	1,636	321	420	1,537
Investments in associates	798	581	136	1,243
Other equity investments	694	78		772
Less: Provision for impairment of long-term equity investments				
Total	3,715	1,247	556	4,406

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

(3) LONG-TERM EQUITY INVESTMENTS (Continued)

(b) Details of long-term equity investments

Investees	Accounting method	Initial investment cost	Opening balance	Changes of the period	Closing balance
Angang Wuhan	Cost method	152	108	44	152
Angang Hefei	Cost method	98	98		98
Angang Guangzhou	Cost method	60	60		60
Shenyang Trading	Cost method	27	23	4	27
Shanghai Trading	Cost method	9	6	3	9
Tianjin Trading	Cost method	9	6	3	9
Chengdu Trading	Cost method	1	1		1
Guangzhou Trading	Cost method	21	18	3	21
Angang Shenyang	Cost method	98	98		98
Angang Weifang	Cost method	1	1		1
Angang Shanghai	Cost method	19	19		19
Angang Tianjin	Cost method	27	27		27
Angang Dalian	Cost method	110	110		110
Ningbo Trading	Cost method	6	6		6
Yantai Trading	Cost method	6	6		6
Angang Zhengzhou	Cost method	60		60	60
AutoSteel Guangzhou	Cost method	150		150	150
ANSC-Dalian	Equity method	533	1,251	(151)	1,100
ANSC-Dachuan	Equity method	190	224		224
Changchun FAM	Equity method	45	95		95
AutoSteel Chongqing	Equity method	48	66	2	68
ANSC-Changchun	Equity method	50		50	50
TKAS	Equity method	37	78	11	89

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)**(3) LONG-TERM EQUITY INVESTMENTS (Continued)**

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

Investees	Accounting method	Initial investment cost	Opening balance	Changes of the period	Closing balance
Entity Strip	Equity method	11	5		5
Angang Finance	Equity method	842	642	432	1,074
Iron Oxide Powder.	Equity method	1			
Nansha Logistics	Equity method	73	73		73
Shanghai Huagongbao	Equity method	2		2	2
WISDRI	Cost method	113	35	78	113
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	69		69
Guoqi Lightweight	Cost method	3	3		3
Angang Tiantie	Cost method	185	185		185
Total			3,715	691	4,406

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

(3) LONG-TERM EQUITY INVESTMENTS (Continued)

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

Investees	Proportion of shareholding (%)	Proportion of voting-rights (%)	Difference between proportions of voting- rights and shareholding	Impairment	Impairment made this period	Cash dividends
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				
Angang Zhengzhou	100	100				
AutoSteel Guangzhou	100	100				
ANSC-Dalian	50	50				400
ANSC-Dachuan	50	50				
Changchun FAM	50	50				5
AutoSteel Chongqing	50	50				
ANSC-Changchun	50	50				
TKAS	45	45				
Entity Strip	30	30				
Angang Finance	20	20				123
Iron Oxide Powder.	30	30				
Nansha Logistics	45	45				
Shanghai Huagongbao	23	23				
WISDRI	6	6				7
Longmay Group	1	1				
Falan Packing	15	15				
Dalian Shipyard	15	15				
China Shipbuilding	10	10				
Dalian Steel	15	15				
Guoqi Lightweight	7	7				
Angang Tiantie	5	5				
Total						535

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)**(4) OPERATING INCOME AND OPERATING COST**

- (a) Operating income and operating cost

Items	This period	Last period
Operating income from main business	37,608	36,982
Other operating income	212	28
Total	37,820	37,010
Operating cost for main business	33,710	32,488
Other operating cost	138	20
Total	33,848	32,508

- (b) Main business by industry

Industry nature	This period		Last period	
	Operating income from main business	Operating cost for main business	Operating income from main business	Operating cost for main business
Ferrous metal smelting and steel rolling process	37,608	33,710	36,982	32,488
Total	37,608	33,710	36,982	32,488

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

(4) OPERATING INCOME AND OPERATING COST (Continued)

(c) Main business by products

Product types	This period		Last period	
	Operating income from main business	Operating cost for main business	Operating income from main business	Operating cost for main business
Hot-rolled products	12,516	11,906	13,196	11,834
Cold-rolled products	12,806	10,890	13,160	10,993
Medium and thick plates	5,138	4,535	4,493	3,953
Others	7,148	6,379	6,133	5,708
Total	37,608	33,710	36,982	32,488

(d) Operating income by regions

Regions	This period		Last period	
	Operating income	Operating cost	Operating income	Operating cost
China	33,455	29,878	33,892	29,584
Overseas	4,153	3,832	3,090	2,904
Total	37,608	33,710	36,982	32,488

(e) Top five customers

Period	Income from top five customers	Proportion (%)
This period	7,027	19
Last period	6,354	17

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)**(5) INVESTMENT INCOME**

(a) Details of investment income

Items	This period	Last period
Long-term equity investment income measured at cost method	85	1
Long-term equity investment income measured at equity method	320	261
Investment income from disposal of long-term equity investments		(590)
Total	405	(328)

Note:

- i. The increase in financial expenses as compared with the last period was mainly due to the Increase in dividend for issue of WISDR1, the increase in net profit of ANSC-TK and the investment loss from the disposal of subsidiary Angang Tiantie.
- ii. There was no severe restriction on the transfer of investment income to the Group.

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

(5) INVESTMENT INCOME (Continued)

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

Investee	This period	Last period
WISDRI	85	
Falan Packing		1
Total	85	1

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

Investee	This period	Last period
ANSC-Dalian	262	205
Angang Finance.	38	37
TKAS	11	10
ANSC-Changchun	3	4
Changchun FAM	6	5
Total	320	261

15. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)**(6) SUPPLEMENT TO CASH FLOW STATEMENT**

Items	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	584	186
Add: Provision for impairment	(84)	63
Depreciation of fixed assets	1,950	2,075
Amortization of intangible assets	76	80
Amortization of deferred expense		
Loss on disposal of fixed assets, intangible assets and other non-current assets ("—" for gains)		
Loss on scrap of fixed assets	13	9
Loss on the change of fair value		
Financial expenses	676	686
Investment loss	(405)	328
Decrease in deferred tax assets ("—" for increase)	240	(56)
Increase in deferred tax liabilities ("—" for decrease)		
Decrease in inventories ("—" for increase)	(107)	(236)
Decrease in operating receivables ("—" for increase)	1,546	3,520
Increase in operating payables ("—" for decrease)	(3,145)	2,930
Others	38	36
Net cash inflow from operating activities	1,382	9,621

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

(6) SUPPLEMENT TO CASH FLOW STATEMENT (Continued)

Items	This period	Last period
2. Change in cash and cash equivalents		
Cash at the end of the period	846	1,282
Less: Cash at the beginning of the period	873	884
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	(27)	398

16. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	28,267	29,299
Less: current liabilities	37,136	37,805
Net current assets/(liabilities)	(8,869)	(8,506)

17. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	91,286	92,865
Less: current liabilities	37,136	37,805
Total assets less current liabilities	54,150	55,060

18. SUPPLEMENTARY DOCUMENTS**(1) NON-RECURRING GAINS AND LOSSES**

Items	This period	Last period
Gains/losses from disposal of non-current assets	(13)	29
Government grant which recorded into profit/loss of current period except that relevant to enterprise operation and in compliance with government policies	60	63
Net profit or loss generated by merging subsidiaries by business combination under common control from the beginning of the period to the combination date		(2)
Other operating income/loss	(3)	
subtotal	44	90
Effect on taxation	(11)	(23)
Effect on minority interest (after tax)		
Total	33	67

18. SUPPLEMENTARY DOCUMENTS (Continued)

(1) NON-RECURRING GAINS AND LOSSES (Continued)

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

(2) ROE AND EPS

Profit in this period	Weighted average (ROE)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shares	1.22	0.080	0.080
Net profit (exclusive of non-operating gains and losses attributable to ordinary shares)	1.15	0.075	0.075

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

Note:

(i) Weighted average ROE = $P_0 / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$

P_0 refers to the net profit attributable to ordinary shares and net profit (exclusive of non-operating profit) attributable to ordinary shares

NP refers to the net profit attributable to ordinary shares

E_0 refers to the net assets attributable to ordinary shares

E_i refers to the additional of net assets attributable to ordinary shares resulted from issuing the new shares or converting from convertible debentures in report period

E_j refers to the reduction of net assets attributable to ordinary shares resulted from share repurchase or cash dividend in report period

M_0 refers to the months of reporting period.

M_i refers to the duration from the second month since the additional of share capital occurred to the end of reporting period

M_j refers to the duration from the second month since the share capital withdrawn occurred to the end of reporting period

E_k refers to the change of net assets resulted from other transaction and matters

M_k refers to the duration from the second month since the variation of net assets resulted from other transaction and matters occurred to the end of reporting period

(ii) Basic EPS and Diluted EPS disclosed in note 7(43).

18. SUPPLEMENTARY DOCUMENTS (Continued)

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

Items on cash flow statement

- (i) Compared with RMB1,385 million of the last period, the net cash inflow from operating activities of this period decreased RMB10,663 million. This significant increase is mainly due to a) The imported raw materials documentary reduce cash outflows, and documentary bills come to rolling repaid, so this period the cash outflows increased, b) the increase of raw materials purchase;
- (ii) Compared with RMB81 million of the last period, the net cash outflow from investing activities of this period was RMB1,378 million. There were mainly due to a) the increase of cash payment from investment Construction of fixed assets and Construction in progress, b) Net cash of RMB844 million received from assets exchange and share transfer transaction;
- (iii) Compared with RMB10,980 million inflow of the last period, the net cash outflow from financing activities this period was RMB161 million. This is mainly because the cash received from loans cannot compensate liability payment from loans.

Documents Available for Inspection

1. 2014 interim report signed by the Chairman.
2. Financial report signed and affixed with the seal by the legal representative, person in charge of accounting and head of the accounting department of the Company.
3. All documents publicly disclosed by the Company in the China Securities Journal and the Securities Times during the Reporting Period.
4. The Articles of Association of the Company.
5. Interim report of the Company disclosed in the Hong Kong stock market.

The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited*, at Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC.

Board of Directors
Angang Steel Company Limited*

1 September 2014

* *For identification purpose only*

