



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

Stock Code : 0347

# 2014

Annual Report

\* For identification purposes only

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# Corporate Profile

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

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

## CORPORATE PROFILE

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

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

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

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

### **CORPORATE PROFILE** *(CONTINUED)*

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

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

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

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

# Corporate Profile (continued)

## CORPORATE PROFILE (CONTINUED)

### 1. Corporate profile

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

### 2. Contact persons and contact methods

	Secretary to the Board	Securities Affairs Representative
Name	Ma Lianyong	Jin Yimin
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878	0412-8416578
Fax	0412-6727772	0412-6727772
E-mail	<a href="mailto:malianyong@ansteel.com.cn">malianyong@ansteel.com.cn</a>	<a href="mailto:ansteel@ansteel.com.cn">ansteel@ansteel.com.cn</a>

### 3. Information disclosure and places for inspection

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

# Summary of Accounting Figures and Financial Indicators

Unit: RMB' million

Items	2014	2013		Changes over the preceding year (%) After adjustment	2012	
		Prior to adjustment	After adjustment		Prior to adjustment	After adjustment
Operating income	<b>74,046</b>	75,329	75,329	-1.70	78,214	78,214
Operating profit	<b>1,565</b>	664	664	135.69	-5,390	-5,390
Total profit	<b>1,579</b>	728	728	116.90	-5,320	-5,320
Net profit attributable to shareholders of the Company	<b>928</b>	770	770	20.52	-4,025	-4,025
Net profit attributable to shareholders of the Company after extraordinary items	<b>917</b>	695	695	31.94	-4,077	-4,077
Net cash flow from operating activities	<b>2,137</b>	10,563	10,563	-79.77	2,568	2,568
Basic earnings per share (RMB/share)	<b>0.128</b>	0.106	0.106	20.75	-0.556	-0.556
Diluted earnings per share (RMB/share)	<b>0.128</b>	0.106	0.106	20.75	-0.556	-0.556
Basic earnings per share after extraordinary items (RMB/share)	<b>0.127</b>	0.096	0.096	32.29	-0.564	-0.564
Diluted earnings per share after extraordinary items (RMB/share)	<b>0.127</b>	0.096	0.096	32.29	-0.564	-0.564
Returns on net assets on weighted average basis (%)	<b>1.96</b>	1.64	1.64	Increase by 0.32 percentage points	-8.29	-8.29
Return on net assets on weighted average basis after extraordinary items (%)	<b>1.93</b>	1.48	1.48	Increase by 0.45 percentage points	-8.39	-8.39



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

Items	At the end of 2014	At the end of 2013		Changes over the preceding year (%) After adjustment	At the end of 2012	
		Prior to adjustment	After adjustment		Prior to adjustment	After adjustment
Total assets	<b>91,291</b>	92,865	92,865	-1.69	103,337	103,337
Total liabilities	<b>43,095</b>	45,775	45,775	-5.85	54,304	54,304
Owner's equity attributable to shareholders of the Company	<b>47,793</b>	47,026	47,026	1.63	47,358	47,358
Net assets per share attributable to shareholders of the Company (RMB/share)	<b>6.61</b>	6.50	6.50	1.69	6.55	6.55
Assets-liability ratio (%)	<b>47.21</b>	49.29	49.29	Decreased by 2.08 percentage points	52.55	52.55
Total share capital	<b>7,235</b>	7,235	7,235	—	7,235	7,235

### EXTRAORDINARY ITEMS AND AMOUNTS AFFECTED ON PROFIT:

*Unit: RMB' million*

Extraordinary items	2014	2013	2012
1. Gains or losses from disposal of non-current assets	<b>-81</b>	-9	11
2. Government subsidies (except for government subsidies which are closely related to the Company's normal operations, in compliance with requirements of the national policies and entitled continuously in a fixed amount or quantity in conformity with the applicable standards) attributable to gains or losses for the period	<b>101</b>	113	63
3. Net gains/losses of subsidiaries during the current period from business combinations under the common control from the beginning of the period to the combination date	—	-2	—
4. Other non-operating income and expenses apart from those stated above	<b>-6</b>	-2	-4
5. Effect of income tax	<b>-3</b>	-25	-18
Total	<b>11</b>	75	52

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

# Chairman's Statement

On behalf of the Board of Angang Steel Company Limited, I am pleased to present the annual report of the Company for the year ended 31 December 2014 and hereby extend my regards to all shareholders.



## OPERATING RESULTS FOR 2014

The Group recorded a net profit attributable to shareholders of the Company of RMB928 million and basic earnings per share of RMB0.128 for the year ended 31 December 2014 as compared to a net profit attributable to shareholders of the Company of RMB770 million and a basic earnings per share of RMB0.106 for the year ended 31 December 2013.



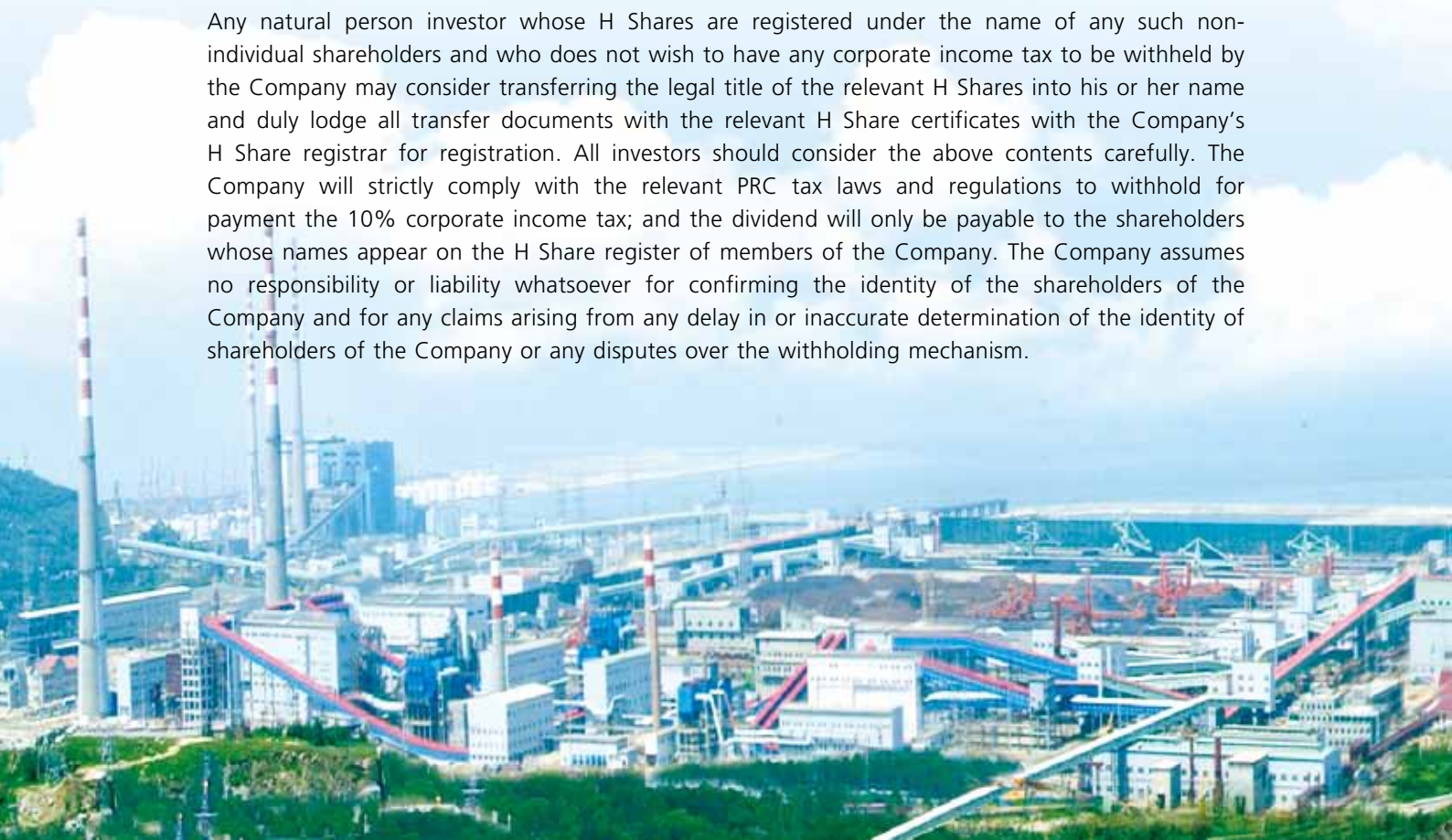
## Chairman's Statement *(continued)*

### DIVIDEND DISTRIBUTION

As audited and confirmed by Ruihua Certified Public Accountants (Special General Partnership), the Company recorded a net profit attributable to shareholders of the Company of RMB928 million for the year of 2014 in accordance with the PRC ASBE. At the year end of 2014, profit distributable to shareholders of the Company amounted to RMB5,787 million. On the basis of the total share capital consisting 7,234,807,847 shares, the Board proposes to distribute cash dividend of RMB0.045 per share (including tax) to shareholders for the year of 2014, which amounts to RMB326 million of the distributable profits. Upon implementing such proposal, distributable profits of RMB5,461 million will remain. This proposal shall be subject to consideration at the forthcoming 2014 annual general meeting. Please refer to the Company's notice of annual general meeting for detail information regarding the record date and book close date for the entitlement to the final dividend and attendance of the 2014 annual general meeting.

Pursuant to the Corporate Income Tax Law of the PRC and its implementing regulations, which came into force on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the dividend to non-resident enterprise (as defined in the Corporate Income Tax Law of the PRC) shareholders whose names appear on the H Share register of members of the Company. Any H Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders, thus, the Company will distribute the dividend to such non-individual shareholders after withholding the 10% corporate income tax. The 10% corporate income tax will not be withheld from the dividend payable to any natural person shareholders whose names appear on the H Share register of members of the Company.

Any natural person investor whose H Shares are registered under the name of any such non-individual shareholders and who does not wish to have any corporate income tax to be withheld by the Company may consider transferring the legal title of the relevant H Shares into his or her name and duly lodge all transfer documents with the relevant H Share certificates with the Company's H Share registrar for registration. All investors should consider the above contents carefully. The Company will strictly comply with the relevant PRC tax laws and regulations to withhold for payment the 10% corporate income tax; and the dividend will only be payable to the shareholders whose names appear on the H Share register of members of the Company. The Company assumes no responsibility or liability whatsoever for confirming the identity of the shareholders of the Company and for any claims arising from any delay in or inaccurate determination of the identity of shareholders of the Company or any disputes over the withholding mechanism.



## **BUSINESS REVIEW**

In 2014, the over-supply situation had not fundamentally improved amid the increasingly fierce competition from similar products in the steel market. To address the challenges, the Company seized the opportunities arising from the market to advance the synergistic development of production, sales and development, thus improving its profitability amid the market competition.

### **1. Optimizing the management and control of production, new breakthrough was achieved in production and operation**

During the Reporting Period, the Group produced 21,780,000 tons of iron, 21,450,000 tons of steel and 20,050,000 tons of steel products, representing an increase of 0.7%, 3.05% and 3.51%, respectively, as compared with the previous year. Sale of steel products amounted to 19,990,000 tons, representing an increase of 5.12% as compared with the previous year. The Group also realized a 99.70% sale-to-production ratio for steel products.

In 2014, in accordance with the principle of “steady and smooth operations, growth in scale, improvement of indices, and reduction of costs” (抓穩順、保規模、提指標、降成本), the Company strengthened organization of production, and communication and coordination among various production bases and comprehensively improved the operation quality. In addition, the Company optimized the model for regular repair and maintenance of equipment, so as to enable the equipment to operate at low cost and with long useful life. Accordingly, have achieved steady increase in production volume during in the year.

### **2. Lowering cost and enhancing efficiency on a regular basis, the profitability was continuously improved**

The Company reduced its processing cost through strengthening the process management, lowered its purchase cost of raw materials and fuels through analysing market dynamics, and effectively reduced the cost for iron-making and coking by being market-oriented, optimizing the structure for coal blending, ore proportioning and materials in blast furnaces. In addition, it lowered the consumption of iron and steel materials for steel-making by measures such as improving the visible proportion of combined blown converter, increasing the use of auxiliary materials containing iron, and enhancing the recovery ratio of casting residues.



## Chairman's Statement *(continued)*

### **BUSINESS REVIEW *(CONTINUED)***

#### **2. Lowering cost and enhancing efficiency on a regular basis, the profitability was continuously improved *(Continued)***

The Company reduced the logistic expenses through optimizing logistic models. It carried out integration of logistic system and realized the centralized management of logistic resources. Following the innovation in the road transportation mode and optimization of marine logistics operations, the logistic expenses were decreased substantially. Meanwhile, the logistic efficiency was improved as the Company enhanced construction of logistic parks and rendered multi-channel distribution service, such as distributing products from the finished products warehouse and logistic parks or self-pickup of products by customers from the logistic parks.

#### **3. Keeping abreast of the market direction, the profitability was further enhanced**

The Company further strengthened its efforts in sales and marketing and enhanced market development. The customers' satisfaction was continuously improved by establishing a comprehensive system of major customers manager and enhancing services for strategic customers. Meanwhile, it strengthened development of medium and small customers to which the Company supplies products directly, and further improved the E-commerce platform, thus increasing the Company's market share continuously. The distribution channel was broadened gradually after the Company proactively advanced "mutual market" marketing mode (namely mutual supply of products). In addition, the Company strengthened its exploration effort for market of key projects, actively participated in the tendering process of projects, and was the bid winner of various projects including Sinopec project.

The Company has established business senses and further advanced benefit creation by energy. It engaged in sales of energy, explored market-oriented operation mode, and enhanced the benefit creation by energy through means such as developing external users of the Company's energy, optimizing allocation structure of energy products and raising the price for steam supplied to external users.

By synchronizing with the international markets, the Company improved the standards of its export products. In 2014, the Company's steel for pressurized containers and high-end suede-like galvanized steel sheets made their debut in the international market. In addition, successfully developed SPHT3B steel for manufacturing pipes and SAE1022Cr high-strength pickling plates and such products were exported to Korea. The sales for export settlement for the year amounted to 2,506,600 tons.

### **BUSINESS REVIEW** *(CONTINUED)*

#### **4. Improving quality refinement system and optimizing portfolio of varieties**

The Company strengthened its efforts in building teams which integrated the functions of production, sales and development, and carried out the "Promotion Campaign at 100 Research Institutes" (百院百所推介行). Meanwhile, the Company coordinated and advanced optimization of products, shifting the focus from production of products to product-related services. By leveraging upon the strategic basis of developing the eight major carbon steel products series into leading products in China, the Company has expedited the pace of new products research and development. It has completed project establishment for 76 new products, entered into 309 agreements for new products development with external parties, inspected and accepted 43 new product projects and developed 68 new steel types. The Company also expanded its clientele by 111 new customers.

By developing high-end products, the Company implemented the differentiated product strategy. The steel plates for nuclear power equipment developed by the Company ranked top among steel maker enterprises. The Company has been engaged exclusively to manufacture the world's first CAP1400 two-bases generating unit and successfully manufactured the ultra-thick level 1 16MND5 steel plates used for nuclear equipment, marking a breakthrough in the domestic market. The steel plates developed by the Company for marine engineering purposes have earned orders for 4,000 tons from the Ocean Oil 982 Project (海洋石油982项目) for the Company. A new breakthrough was achieved in exploring the market for the high-end steel for bridge building and orders for such steel reached 162,000 tons in 2014. The Company achieved preliminary results in development of seamless steel products, and has developed new products such as the AGQ770E premium-standard steel tube for crane boom, non-API hydrogen-sulfide-resistant oil well pipes, abrasion resistant tube, and new materials for J55 thermal insulation casing pipe.



## Chairman's Statement *(continued)*

### **BUSINESS REVIEW *(CONTINUED)***

#### **5. Optimizing system and mechanism, and corporate management was improved to a new level**

The Company intensified its reform and implemented system innovation. It integrated the Cooperation Center of Equipment Inspection and Repair in an orderly manner achieving a smooth transition. A branch factory management model under the centralized management system for the headquarter steel-making plant was established, by which the management system was optimized and management efficiency was enhanced. All employees' innovation and creation vitalities were motivated under the management and control system of "comprehensive budget as basis, target-oriented management for all employees as measures, and project support as guarantee" (全面預算為基礎、全員目標值管理為手段、項目支撐為保障).

It optimized management and control mode to promote management upgrade. The Company implemented lean management on investment projects, strict control over budget, scientific assessment of projects and stringent approval procedures. Through effectively strengthening capital management, and emphasizing on implementing "recovery, reduction and control" (回、壓、控) measures, the Company reduced the misappropriation of funds and prevented the capital risk.

#### **6. Enhancing the safety and environmental protection to achieve green production**

The Company implemented the accountability system of safe production and established a round-the-clock and comprehensive safety monitoring system, which improved the level of safety management in a continuous manner. By upholding and following the theory of green development, adopting advanced process and technologies such as "coke dry quenching, dry dedusting for blast furnace, dry dedusting for converters and TRT power generation" (三幹一電), and CCPP co-generation and energy management informationization, it vigorously promoted the projects for improvement of air and water environment. The Company implemented 59 projects for the purpose of energy-saving and emission reduction as well as green production in tandem, thereby improving the environmental quality and controlling the air pollution. In addition, it gradually decommissioned eight outdated small coke ovens and took measures to control the smoke dust generated during the steel-making process in converters, which enabled the Company to develop on a positive track of green growth. Accordingly, remarkable achievements were made in clean production.

## DEVELOPMENT PLANS FOR 2015

### 1. Competition landscape and development trend in the industry

Favourable factors: demand for raw materials in the PRC is expected to remain stable viewing as a whole as a series of policies of the Central Government become more specific and materialize which are designed to stabilize growth, promote reform, adjust structure and benefit livelihood and includes in particular the increased efforts in the shantytowns transformation and the infrastructure construction in central and western China as well as the implementation of great strategies such as the "Belt and Road Initiative" (一帶一路). Meanwhile, the Chinese economy stepped into the stage of new normal which will see acceleration in adjustment and optimization of industrial structure. Under the new normal, iron and steel consumption in the PRC has reached the peak values area, posing higher needs for quality and customized consumption. As such, the iron and steel industry has been witnessing a shift from quantity-driven expansion and price competition to quality and differentiation-oriented competition. The new normal brings external space and impetus for the development and transformation of iron and steel industry, which indicates further acceleration in the pace of structural adjustment.

Unfavourable factors: the year of 2015 will continue to see a noticeable oversupply in the iron and steel industry and a decline in the growth rate of investment in the PRC. As a result, it is difficult to see a significant upturn in the downstream demand for the iron and steel industry and hence an improvement in the oversupply situation for steel products. The implementation of new environment protection law will impose more pressure on iron and steel enterprises in environment protection. In addition, the adjustment to the export tax rebate policy will to some extent curb the export of steel products with low added value.

### 2. Future development strategies

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

Enhancing independent innovation. The Company will set the "high-strength steel" as its "benchmark" product in the forthcoming stage, and focus on advancing in the core directions including cold-rolling products such as steel for automobiles and appliances and hot-rolling products such as steels for shipbuilding and machines, so as to realize independent innovation in respect of more core technologies. For the purpose of service innovation, a customer-oriented "service excellence" system will be established along the whole value chain.

Optimizing the industrial layout. The Company will extend the industry chain of iron and steel through establishing joint venture or carrying out cooperation with upstream resources companies and downstream customers, thereby achieving production in multiple production bases across the country.



# Chairman's Statement *(continued)*

## DEVELOPMENT PLANS FOR 2015 *(CONTINUED)*

### 2. Future development strategies *(Continued)*

Building high-quality bases. Focusing on medium and high-end products, differentiated products and unique and special products, the various production bases will determine their differentiated product positioning in accordance with their development status and market demand, so as to achieve development with a balanced product portfolio.

Improving core competitiveness. Through intensively developing at low costs and high efficiency, the Company strives to achieve profitability above the average level in the iron and steel industry in China.

Implementing green manufacturing. By implementing the principle of "waste reduction, reuse and recycle", the Company is committed to building a resource-conserving and environment friendly enterprise.

Achieving scientific development. Through emphasising on the people as the core element, the Company has established a comprehensive, harmonious and sustainable perspective of development, so as to achieve the comprehensive development of the economy, society, enterprises and people.

### 3. Operation plan for the year of 2015

In 2015, the Company will continue to follow the guideline of "elements integration, efficiency and professionalism, wastes reduction and recycling" (整合要素、簡捷專業、減量循環) so as to achieve internal management improvement.

- (1) Enhance production management and control capacity and improve efficiency from the scale of production.
- (2) Promote the management of regular cost reduction and efficiency enhancement to reduce operating cost in an all-round manner.
- (3) Innovate sales and marketing models and enhance capacity of customer services.
- (4) Strengthen research and development to produce individualized and high-value refined iron and steel products.
- (5) Intensify lean management and enhance the Company's risk prevention and control capacity.
- (6) Enhance energy-saving, emission reduction and promote green manufacturing.

## Chairman's Statement *(continued)*

### DEVELOPMENT PLANS FOR 2015 *(CONTINUED)*

#### 4. Plans for funding requirements

For the year of 2015, capital investment of RMB5,015 million is planned to be injected into the Group's main construction projects such as the environmental protection renovation project for No. 3 Steelmaking Work Area of the Group, major renovation project for overhaul of No. 5 Coking Workshop, construction of 60,000 cubic-meter oxygen generator by Energy Center, and external investments.

The sources of funding for the Group in 2015 mainly include cash inflows from operating activities and bank loans.

*Chairman*  
**Zhang Xiaogang**

Anshan City, the PRC  
30 March 2015

# Report of the Directors

The Board is pleased to present the annual report and the audited financial statements for the year ended 31 December 2014.

## I. PRINCIPAL BUSINESSES

The Company's principal businesses include production and sale of products including hot-rolled products, cold-rolled products, medium and thick plates and other steel products.

### Composition of the principal businesses in 2014

#### 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)
<b>By industry</b>						
Steel pressing and processing industry	73,809	65,374	11.43	-1.71	-2.08	0.34
<b>By products</b>						
Hot-rolled sheets products	25,538	23,792	6.84	-2.77	-0.94	-1.72
Cold-rolled sheets products	24,986	20,733	17.02	-5.69	-7.60	1.71
Medium and thick plates	10,324	9,159	11.28	13.16	11.56	1.27

# Report of the Directors *(continued)*

## **I. PRINCIPAL BUSINESS *(CONTINUED)***

### **Composition of the principal businesses in 2014 *(Continued)***

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

*Notes:*

- (1) The decrease in operating income from hot-rolled sheets products as compared with the corresponding period of the previous year was primarily due to the impact of decrease in the prices of products. The increase in sales volume of products was insufficient to cover the decrease in operating income as a result of the decrease in the prices. The decrease in gross profit margin was mainly attributable to a more significant decrease in the prices of products as compared with the decrease in the per unit cost of products.
- (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 of operating cost was due to (i) the decrease in the prices of raw materials and fuels in the market and the increased efforts for purchase at due time by the Company, resulting in a decrease in purchase cost and (ii) the fact that the Company pressed ahead with streamlined production management while tackling key problems on special technique for each procedure of process to promote cost reduction and efficiency enhancement in a systematic way and greatly cut down processing cost and expenditures. The increase in gross profit margin was mainly attributable to (i) the Company's great efforts in reducing costs and (ii) the adjustment of product mix and sales of products with higher profit margin.
- (3) The increase in operating income from and operating cost of medium and thick plates as compared with the corresponding period of the previous year was primarily due to the increase in sales volume of products. The increase in gross profit margin was mainly attributable to (i) the Company's great efforts in reducing costs and (ii) the sales of products with higher profit margin as the Company has adjusted the product mix.

## Report of the Directors (continued)

### I. PRINCIPAL BUSINESS (CONTINUED)

#### Composition of the principal businesses in 2014 (Continued)

#### Segmental information of operating revenue from principal businesses of the Group by geographical locations of sales

Unit: RMB' million

	Operating revenue from principal business	Increase/ decrease in operating revenue from principal business as compared with the previous year (%)
Northeast China	28,998	4.58
North China	3,985	-32.25
East China	17,758	-3.10
South China	12,777	-13.86
Central South China	670	-20.52
Northwest China	300	-34.92
Southwest China	97	-46.99
Export Sales	9,224	34.93
Total	73,809	-1.71

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

Changes in accounting policies were attributable to the implementation of new accounting standards for business enterprises. In early 2014, the Ministry of Finance released “Accounting Standards for Business Enterprises No. 39 — Fair Value Measurements” (《企業會計準則第39號 — 公允價值計量》), “Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statements (2014 Revision)” (《企業會計準則第30號 — 財務報表列報(2014年修訂)》), “Accounting Standards for Business Enterprises No. 9 — Employee Compensation (2014 Revision)” (《企業會計準則第9號 — 職工薪酬(2014年修訂)》), “Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements (2014 Revision)” (《企業會計準則第33號 — 合併財務報表(2014年修訂)》), “Accounting Standards for Business Enterprises No. 40 — Arrangement for Joint Venture” (《企業會計準則第40號 — 合營安排》), “Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments (2014 Revision)” (《企業會計準則第2號 — 長期股權投資(2014年修訂)》) and “Accounting Standards for Business Enterprises No. 41 — Disclosure of Interests in Other Entities” (《企業會計準則第41號 — 在其他主體中權益的披露》) under the decree numbers of Cai Kuai [2014] No. 6, No. 7, No. 8, No. 10, No. 11, No. 14 and No. 16, respectively, with all enterprises subject to the PRC ASBE required to implement the amendments with effect from 1 July 2014 and the overseas listed enterprises encouraged to implement the same in advance. Meanwhile, the Ministry of Finance also released “Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments (2014 Revision)” (《企業會計準則第37號 — 金融工具列報(2014年修訂)》) (the “Financial Instruments Presentation Standard”) under the decree number of Cai Kuai [2014] No. 23, requiring to report financial instruments in financial report of 2014 and any periods thereafter pursuant to the requirements of the standard.

Pursuant to the resolution passed at the thirty-second meeting of the Sixth Session of the Board held by the Company on 30 March 2015, the Company started the implementation of the aforementioned seven newly released or revised accounting standards for business enterprises except for the Financial Instruments Presentation Standard on 1 July 2014 and will begin to implement the Financial Instruments Presentation Standard in the preparation of the 2014 financial report and make adjustments according to transitional requirements of each standards, resulting in the following impact on the items and amounts of the current and previous financial statements:



## Report of the Directors (continued)

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

Name of standard	Explanation on changes in accounting policies and the impacts on the Company thereof	Amounts affected under underlying items of the financial statements as of 1 January 2014/2013	
		Name of items	Amounts affected Increase +/ Decrease -
"Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments (2014 Revision)" (《企業會計準則第2號—長期股權投資(2014年修訂)》)	Prior to the implementation of Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments (2014 Revision)", the Company classified equity investments where there is no joint control or significant influence over investee, no quoted price in active market and the fair value of which cannot be measured reliably into long-term equity investment and measured at cost method. Upon the implementation of "Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments (2014 Revision)", the Company classified equity investments where there is no joint control or significant influence over investee, no quoted price in active market and the fair value of which cannot be measured reliably into available-for-sale financial assets. The Company has applied retroactive adjustment method to accounting for the above changes in accounting policies.	Long-term equity investments	-694
		Available-for-sale financial assets	694
"Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statements (2014 Revision)" (《企業會計準則第30號—財務報表列報(2014年修訂)》)	"Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statements (2014 Revision)" classifies other comprehensive income into two classes: (1) other comprehensive income which cannot be reclassified to profit or loss in subsequent accounting periods, and (2) other comprehensive income to be reclassified to profit or loss upon satisfactions of specified conditions in subsequent accounting periods, and at the same time standardize the reporting of held-for-sale items. Changes in equity attributable to shareholders resulted from comprehensive income and capital transaction with shareholders shall be reported separately. The financial statements have made reporting and corresponding adjustments to the financial statements of comparable years according to the requirements of the standard.	Capital reserve	19
		Other comprehensive income	-19

## Report of the Directors (continued)

### III. CHANGES IN THE SCOPE OF CONSOLIDATION OF THE GROUP DURING THE REPORTING PERIOD

Angang Zhengzhou, Angang Guangzhou Automotive and Kobelco Angang are three subsidiaries newly established through investment during the year, and thus were included in the consolidation scope.

#### 1. Subsidiaries newly included into the scope of consolidation during the year

Unit: RMB, million

Name of subsidiaries	Net assets at the end of the year	Net profit for the year
Angang Zhengzhou	122	—
Angang Guangzhou Automotive	349	-1
Kobelco Angang	695	-5

### IV. DISTRIBUTION OF PROFIT AND DIVIDEND PAYMENT BY THE COMPANY

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

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

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

## Report of the Directors *(continued)*

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

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

#### **1. The profit distribution proposal of the Company for 2014**

As audited and confirmed by Ruihua Certified Public Accountants (Special General Partnership), the Company recorded a net profit attributable to shareholders of the Company of RMB928 million for the year of 2014 in accordance with the PRC ASBE. At the year end of 2014, profit distributable to shareholders of the Company amounted to RMB5,787 million. On the basis of the total share capital consisting 7,234,807,847 shares, the Board proposes to distribute cash dividend of RMB0.045 per share (including tax) to shareholders for the year of 2014, which amounts to RMB326 million of the distributable profits. Upon implementing such proposal, distributable profits of RMB5,461 million will remain. This proposal shall be subject to consideration at the forthcoming 2014 annual general meeting.

#### **2. The profit distribution proposal of the Company for 2013**

On the basis of the total share capital consisting 7,234,807,847 shares, the Company distributed cash dividend of RMB0.027 per share (including tax) to shareholders for the year of 2013, which amounted to RMB195 million of the distributable profits.

#### **3. The profit distribution plan of the Company for 2012**

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

## Report of the Directors *(continued)*

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

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

*Unit: RMB' million*

Year	Amounts of cash dividends (including tax)	Net profit attributable to the shareholders of the Company in the consolidated financial statement during the year	Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statement (%)
2014	326	928	35.13
2013	195	770	25.32
2012	0	-4,025	0

### V. ANALYSIS OF THE MAJOR CONTROLLED COMPANIES AND COMPANIES WITH A PARTICIPATING INTEREST

*Unit: RMB' million*

Name	Type	Industry	Main products or services	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
ANSC-TKS	Limited liability Company (Sino-foreign cooperative venture)	Steel pressing and processing	Production and sales of hot dip galvanised steel products and alloyed steel plate	1,066	3,224	2,724	6,391	1,061	922
Angang Financial Company	Limited liability Company	Financial industry	Deposit, lending and financing	2,000	21,392	5,670	1,027	691	520

## Report of the Directors *(continued)*

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

#### Acquisition and disposal of subsidiaries during the Reporting Period

<b>Name of subsidiary</b>	<b>Purpose of acquisition and disposal of subsidiaries during the Reporting Period</b>	<b>Method of acquisition and disposal of subsidiaries during the Reporting Period</b>	<b>Impact on the overall production and results</b>
Angang Zhengzhou	To improve the strategic layout of the Company's steel processing centers and broaden the sales channel and service ways of the products of the Company.	Newly invested and constructed	Under construction and not yet put into production
Angang Guangzhou Automotive	To increase the market share of the high-end galvanized automobile plates of the Company in the Pearl River Delta region, especially Guangzhou, and adjust and optimize the industrial layout of our galvanized products and increase market share of our products.	Newly invested and constructed	Under construction and not yet put into production
Kobelco Angang	To speed up the R&D of our cold rolled high-strength automobile plates and increase the market share of our cold rolled automobile plates, especially the market share in the high-end and Japanese-branded cars.	Newly invested and constructed	Under construction and not yet put into production

## Report of the Directors (continued)

### VI. MAJOR SUPPLIERS AND CUSTOMERS

#### Sales to major customers of the Company

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Total sales amount of the top five customers ( <i>RMB million</i> )	12,414
Proportion of total sales amount of the top five customers over total sales amount for the year (%)	16.89

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#### Top five customers of the Company

No.	Customer name	Sales amount ( <i>RMB million</i> )	As a percentage of total sales amount in the year (%)
1	Customer A	4,350	5.92
2	Customer B	2,986	4.06
3	Customer C	1,905	2.59
4	Customer D	1,614	2.20
5	Customer E	1,559	2.12
Total		12,414	16.89

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#### Major suppliers of the Company

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Total purchase amount attributable to the top five suppliers ( <i>RMB million</i> )	33,148
Proportion of total purchase amount attributable to the top five suppliers over total purchase amount for the year (%)	57.76

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## Report of the Directors (continued)

### VI. MAJOR SUPPLIERS AND CUSTOMERS (CONTINUED)

#### Top five suppliers of the Company

No.	Supplier name	Purchase amount (RMB million)	As a percentage of total purchase amount in the year (%)
1	Supplier A	13,027	22.70
2	Supplier B	12,885	22.45
3	Supplier C	3,006	5.24
4	Supplier D	2,452	4.27
5	Supplier E	1,778	3.10
Total		33,148	57.76

Except for those disclosed in this annual report, none of the Directors, Supervisors and their associates nor any shareholder (which to the knowledge of the Directors hold 5% or more of the shares of the Company) had any interest in any of the top five suppliers or top five customers of the Company during 2014.

### VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Mr. Liu Zhengdong and Mr. Chau Chi Wai, Wilton were both appointed as independent non-executive Directors of the Company with effect from 4 June 2014, and have entered into service contracts respectively with the Company for a term from 4 June 2014. Mr. Song Jun served as a Supervisor of the Company with effect from 14 October 2014, and have entered into a service contract with the Company for a term from 14 October 2014. Each of the remaining Directors and Supervisors has entered into a service contract with the Company for a term from 8 July 2013 (or as approved by the general meetings) to the election of the Directors of the Seventh Session of the Board and the Supervisors of the Seventh Session of the Supervisory Committee at the 2015 annual general meeting, and the term of the Sixth Session of the Board and the Sixth Session of the Supervisory Committee are three years. None of the Directors or Supervisors has entered into a service contract with the Company other than contracts expiring or determinable by the Company within one year without payment of compensation (except statutory compensation).

### VIII. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

## Report of the Directors *(continued)*

### **IX. PRE-EMPTIVE RIGHTS**

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

### **X. DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS**

In 2014, none of the Directors or Supervisors had any material interests in any contracts in which the Company, or the holding companies or any of its subsidiaries were involved.

### **XI. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

### **XII. CHAPTER 13 DISCLOSURE**

The Directors confirmed that there was no matter occurring in 2014 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor did the Company sign loan agreements imposing specific performance obligations on the controlling shareholders.

### **XIII. SUFFICIENT PUBLIC FLOAT**

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

### **XIV. FIXED ASSETS**

Changes in the fixed assets during the year are set out in note 6. (9) to financial statements on pages 182 and 183 of this annual report.

### **XV. OPERATING RESULTS**

The results of the Company for the year ended 31 December 2014 and its financial position as at that date are set out in the financial statements included in this annual report.

# Report of the Directors *(continued)*

## **XVI. SHARE CAPITAL**

Changes in share capital during the year are set out in note 6. (28) to the financial statements on page 199 of this annual report.

## **XVII. RESERVES**

Changes in the reserves during the year are set out in notes 6. (29), 6. (31) and 6. (32) to the financial statements on pages 200 to 202 of this annual report.

## **XVIII. EMPLOYEE RETIREMENT SCHEME**

Details of the employee retirement scheme of the Company are set out in note 6. (18) to the financial statements on page 193 of this annual report.

## **XIX. CONTINUING CONNECTED TRANSACTIONS**

Details of continuing connected transactions of the Company for the year are set out on pages 50 to 57 of this annual report.

## **XX. FIVE YEARS SUMMARY**

A summary of the results and balance sheet of the Group for five years are set out on page 249 of this annual report.

## **XXI. AUDITOR**

RSM China Certified Public Accountants (Special General Partnership) (中瑞岳華會計師事務所(特殊普通合夥)) was appointed as the Company's auditor in 2012.

The appointment of Ruihua Certified Public Accountants (Special General Partnership) (瑞華會計師事務所(特殊普通合夥)) as the Company's auditor for 2015 will be proposed at the annual general meeting for the year of 2014.

By order of the Board  
**Zhang Xiaogang**  
*Chairman*

30 March 2015

# Report of the Supervisory Committee

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

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

No.	Meetings	Date of the meeting	Matters considered
1	The 6th meeting of the 6th Session of the Supervisory Committee	28 March 2014	<ol style="list-style-type: none"> <li>1. The 2013 Annual Report and its summary were approved;</li> <li>2. The Report of the Supervisory Committee for 2013 was approved;</li> <li>3. The proposal in relation to the remunerations of the supervisors for 2013 was approved;</li> <li>4. The 2013 Self-assessment Report on Internal Control was approved;</li> <li>5. The proposal in relation to the retrospective adjustment to the financial statements of previous years.</li> </ol>
2	The 7th meeting of the 6th Session of the Supervisory Committee	25 April 2014	<ol style="list-style-type: none"> <li>1. 2014 First Quarterly Report and its text.</li> </ol>
3	The 8th meeting of the 6th Session of the Supervisory Committee	20 June 2014	<ol style="list-style-type: none"> <li>1. The resignation of Mr. San Yiming as a Supervisor;</li> <li>2. Mr. Song Jun as a candidate for shareholders' representative Supervisor of 6th session of the Supervisory Committee of the Company was approved.</li> </ol>
4	The 9th meeting of the 6th Session of the Supervisory Committee	13 August 2014	<ol style="list-style-type: none"> <li>1. 2014 Interim Report and its text.</li> </ol>
5	The 10th meeting of the 6th Session of the Supervisory Committee	24 October 2014	<ol style="list-style-type: none"> <li>1. 2014 Third Quarterly Report and its text.</li> </ol>

## Report of the Supervisory Committee *(continued)*

- (II) In 2014, the Supervisory Committee of the Company monitored the Company's operations to ensure compliance with the relevant laws and regulations, such as the Company Law, and the Articles of Association of the Company. It also exercised supervision on the connected transactions entered into by the Company. The Supervisory Committee raised no objection to monitoring issues during the Reporting Period.

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

1. The Supervisory Committee is, based on its examination, of the opinion that during the year, the procedures by which the Board prepares and considers the 2014 annual report complied with laws, administrative regulations and the requirements of CSRC and the content of the annual report was true, accurate and complete and there was no false representation or misleading statement contained in, or material omission from the annual report.
2. During the year, the Company's operations had complied with laws, the Company had comprehensive internal control system and the decision making procedures of the Company complied with applicable laws, and the Supervisory Committee was not aware of any violation of regulations.
3. None of the Directors and senior management of the Company were found to be in violation of any laws or regulations or the Articles of Association of the Company when performing their duties or otherwise act in a manner which infringed upon the interests of the Company.
4. The Company's financial report truly reflected the Company's financial position and operating results.
5. The acquisitions of assets were carried out by the Company at fair prices and it was not aware of any insider dealing or any damage to part of the shareholders' interests or any loss to the Company's assets.
6. During the year, routine continuing connected transactions and other connected transactions were conducted on a fair basis in the Company's production and operation and it was not aware of any insider dealing or any impairment of interests of the Company.

On behalf of the Supervisory Committee  
**Xu Zhiwu**  
*Chairman of the Supervisory Committee*

30 March 2015

# Management Discussion and Analysis

## ANALYSIS OF FINANCIAL INFORMATION

### 1. Overview

Unit: RMB' million

Item	Reporting Period	Corresponding period of the previous year	Increase/ decrease of the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Operating income	<b>74,046</b>	75,329	-1.70	Operating income decreased as compared with the corresponding period of the previous year, mainly due to the decrease in the price of steel products.
Operating costs	<b>65,490</b>	66,929	-2.15	Operating costs decreased as compared with the corresponding period of the previous year, mainly attributable to (i) the decrease in price of raw materials and fuels in the market and the increased efforts for purchase at due time by the Company, resulting in a decrease in purchase costs; and (ii) the vigorous potential tapping by the Company against the continuously sluggish steel market, to promote cost reduction and efficiency enhancement in a systematic way, thus bringing down processing cost and expenditures.
Sales and marketing expenses	<b>2,218</b>	1,743	27.25	Sales and marketing expenses increased by RMB475 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in sales volume 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.

# Management Discussion and Analysis *(continued)*

## ANALYSIS OF FINANCIAL INFORMATION *(CONTINUED)*

### 1. Overview *(Continued)*

*Unit: RMB' million*

Item	Reporting Period	Corresponding period of the previous year	Increase/ decrease of the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Administrative expenses	1,850	3,270	-43.43	Administrative expenses decreased by RMB1,420 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.
Financial expenses	1,272	1,218	4.43	Financial expenses increased by RMB54 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in both the Company's loan and bank loan interest; and (ii) the increase in the Company's bills discounting interests.
Total profit	1,579	728	116.90	Total profit and net profit attributable to shareholders of the Company increased as compared with the previous year, mainly attributable to (i) the decrease in price of raw materials and fuels in the market and the increased efforts for purchase at due time by the Company, resulting in a decrease in purchase costs; (ii) more efforts in adjustment of product mix, increase in the sales proportion of strategic products, unique leading products and new products, and increase in steel price; and (iii) the fact that, against the continued sluggish iron and steel market, the Company focused on tapping internal potentials to promote cost reduction and efficiency enhancement in a systematic way, and tackled key problems on special technique for each procedure of process to improve economic and technical indicators and reduce processing costs and expenditures.
Net profit attributable to shareholders of the Company	928	770	20.52	

# Management Discussion and Analysis *(continued)*

## ANALYSIS OF FINANCIAL INFORMATION *(CONTINUED)*

### 1. Overview *(Continued)*

Item	Reporting Period	Corresponding period of the previous year	Increase/ decrease of the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Net cash flow	586	-1,997	129.34	Net cash flow increased by RMB2,583 million as compared with the previous year, mainly attributable to (i) the decrease of RMB8,426 million in net cash inflow from operating activities as compared with the previous year; (ii) the increase of RMB1,835 million in net cash outflow from investing activities as compared with the previous year; and (iii) the increase of RMB12,844 million in net cash flows from financing activities as compared with the previous year.

### 2. Income

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

Yes

No

Industry Classification	Item	2014	2013	Year-on-year increase/ decrease (%)
Steel rolling process industry	Sales volume (0'000 tons)	1,999.21	1,901.83	5.12
	Production volume (0'000 tons)	2,004.96	1,936.95	3.51
	Stock volume (0'000 tons)	119.04	105.06	13.31



# Management Discussion and Analysis *(continued)*

## ANALYSIS OF FINANCIAL INFORMATION *(CONTINUED)*

### 2. Income *(Continued)*

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

Applicable       Not applicable

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

Applicable       Not applicable

### 3. Cost

#### Industry Classification:

*Unit: RMB' million*

Industry Classification	Item	2014		2013		Year-on-year increase/decrease (percentage point)
		Amount	As a percentage of operating costs (%)	Amounts	As a percentage of operating costs (%)	
Steel rolling process industry	Raw materials and fuels	50,063	76.58	51,944	77.80	-1.22
	Power supplies	6,269	9.59	5,869	8.79	0.80
	Depreciation	3,772	5.77	3,806	5.70	0.07
	Employee remuneration	3,504	5.36	2,804	4.20	1.16
	Others	1,766	2.70	2,343	3.51	-0.81
	Total	65,374	100.00	66,766	100.00	—

# Management Discussion and Analysis *(continued)*

## ANALYSIS OF FINANCIAL INFORMATION *(CONTINUED)*

### 4. Expenses

*Unit: RMB' million*

Financial indicators	Reporting Period	Corresponding period of the previous year	Increase/ decrease of the Reporting Period as compared with the Corresponding corresponding period of the previous year (%)
Sales and marketing expenses	<b>2,218</b>	1,743	27.25
Administrative expenses	<b>1,850</b>	3,270	-43.44
Financial expenses	<b>1,272</b>	1,218	4.43
Income tax expenses	<b>655</b>	-27	2,525.93

Notes:

- (1) Sales and marketing expenses in the year increased by RMB475 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in sales volume and (ii) the increase in transportation expenses following the increase in settlement at CIF for users as part of the Company's efforts in optimizing its logistics management.
- (2) Administrative expenses in the year decreased by RMB1,420 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.
- (3) Income tax expenses increased by RMB682 million as compared with the corresponding period of the previous year, mainly attributable to the analysis and adjustment of deferred income tax by the Company based on its taxable income.

# Management Discussion and Analysis *(continued)*

## ANALYSIS OF FINANCIAL INFORMATION *(CONTINUED)*

### 5. R&D expenditure

*Unit: RMB' million*

Item	2014	2013	Year-on-year increase/ decrease (%)
R&D expenditure for the current period included in profit or loss for the period	<b>2,079</b>	2,108	-1.38
R&D expenditure for the current period recognised as intangible assets	—	—	—
Total R&D expenditure	<b>2,079</b>	2,108	-1.38
Percentage of total R&D expenditure over net assets attributable to the parent company (%)	<b>4.35</b>	4.48	-0.13
Percentage of total R&D expenditure over operating income (%)	<b>2.81</b>	2.80	0.01

### 6. Cash flow

*Unit: RMB' million*

Item	2014	2013	Year-on-year increase/ decrease (%)
Sub-total of cash inflow from operating activities	<b>65,234</b>	67,154	-2.86
Sub-total of cash outflow from operating activities	<b>63,097</b>	56,591	11.50
Net cash flow from operating activities	<b>2,137</b>	10,563	-79.77
Sub-total of cash inflow from investing activities	<b>671</b>	707	-5.09
Sub-total of cash outflow from investing activities	<b>5,096</b>	3,297	54.56
Net cash flow from investing activities	<b>-4,425</b>	-2,590	-70.85
Sub-total of cash inflow from financing activities	<b>25,325</b>	27,924	-9.31
Sub-total of cash outflow from financing activities	<b>22,451</b>	37,894	-40.75
Net cash flows from financing activities	<b>2,874</b>	-9,970	128.83
Net increase of cash and cash equivalents	<b>586</b>	-1,997	129.34

# Management Discussion and Analysis *(continued)*

## ANALYSIS OF FINANCIAL INFORMATION *(CONTINUED)*

### 6. Cash flow *(Continued)*

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

Applicable                       Not applicable

- (1) A decrease of RMB8,426 million in net cash flow from operating activities for the year as compared with the previous year was mainly attributable to (i) the fact that the Company carried out the business of documentary bills for importation last year. The cash outflow for the purchase of goods and services decreased for the corresponding period of the previous year. However, the Company repaid the inward documentary bills in revolving batches this year, and the cash level on the purchase of goods and services was back to normal; (ii) the increase in the amount of procurement as a result of the expansion of the scale of production and sales; and (iii) the decrease in cash from sales of goods due to the decrease in the prices of steel products.
- (2) An increase of RMB1,799 million in cash outflow from investing activities and an increase of RMB1,835 million in net cash outflow from investing activities for the year as compared with the previous year were mainly attributable to the increase in cash paid for purchase and construction of fixed assets, construction in progress and investment.
- (3) A decrease of RMB15,443 million in cash outflow from financing activities and an increase of RMB12,844 million in net cash flows from financing activities for the year as compared with the previous year were mainly attributable to the decrease in cash paid for repayment of bank borrowings by the Company.
- (4) An increase of RMB2,583 million in net cash flow for the year as compared with the previous year was mainly attributable to (i) a decrease of RMB8,426 million in net cash inflow from operating activities as compared with the previous year arising from the increase in cash paid for procurement of goods and services for the year and the decrease in cash from sales of goods and provision of services; (ii) an increase of RMB1,835 million in net cash outflow from investing activities as compared with the previous year arising from the increase in cash outflow from investing activities as a result of the increase in cash paid for purchase and construction of fixed assets, construction in progress and investments; and (iii) an increase of RMB12,844 million in net cash flow from financing activities as compared with the previous year due to the decrease in cash paid for repayment of borrowings for the year.

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

Not applicable                       Not applicable

# Management Discussion and Analysis (continued)

## ANALYSIS OF FINANCIAL INFORMATION (CONTINUED)

### 7. Liquidity and financial resources

As at 31 December 2014, the Group had long-term loans (exclusive of loans due within one year) of RMB1,371 million with interest rates ranging from 5.535% to 6.15% per annum. Under the terms of three to twenty-five years, the loans will fall due during the period from 2016 to 2018. The loans are mainly used for replenishing working capital. The Group's long-term loans due within one year amounted to RMB1,701 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 credit rating of "AAA". In 2014, 16 financial institutes which had strategic cooperation with the Company had given credits to the Company. The Group is capable of repaying its debts when they become due.

As at 31 December 2014, cash and bank balances of the Group denominated in foreign currencies was nil (31 December 2013: RMB61 million).

Cash and bank balances denominated in the currencies as set out below:

*Unit: RMB, million*

	<b>31 December 2014</b>	31 December 2013
RMB	<b>1,712</b>	1,065
US dollars	—	61
HK dollars	—	—
Others	—	—
<b>Total</b>	<b>1,712</b>	1,126

As at 31 December 2014, the Group had a total capital commitment of RMB5,165 million, which was primarily attributable to the construction and renovation contracts entered into but not yet performed or partially performed, and the external investment contracts entered into but not yet performed or partially performed.

# Management Discussion and Analysis *(continued)*

## ANALYSIS OF FINANCIAL INFORMATION *(CONTINUED)*

### 8. Retirement scheme

In accordance with relevant insurance policies of the PRC government, the Company provides all employees with basic pension (which are contributed as to 20% by the employer and as to 8% by individual employee), pursuant to which, the employee is entitled to receive pension payments on a monthly basis after retirement. For each month, the Company makes contribution to the basic pension scheme at 20% of the gross payroll recognized as cost (expenses) of the previous month. In 2014, the total contribution to the basic pension scheme amounted to RMB682 million, including the employer's part of RMB515 million and the employee's part of RMB167 million.

In addition, the Company maintains corporate annuity scheme for all its employees, the contribution to which is made by the Company at 4% of the gross payroll recognized as cost (expenses) of the previous year. The Company also made compensation to the employees for their years of service prior to the inception of the corporate annuity scheme. In 2014, the total contribution to the corporate annuity scheme amounted to RMB188 million, including the employee's part of RMB55 million, the employer's part of RMB87 million and contribution as compensation for employees' years of service prior to the inception of the scheme of RMB46 million.

### 9. Foreign exchange risk

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

# Management Discussion and Analysis *(continued)*

## ANALYSIS OF ASSETS AND LIABILITY

### 1. Significant changes in assets

*Unit: RMB' million*

	End of 2014		End of 2013		Increase/ decrease (%)	Explanation for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary assets	1,712	1.88	1,126	1.21	0.67	—
Account receivables	1,835	2.01	2,134	2.30	-0.29	—
Inventories	10,865	11.90	12,356	13.31	-1.41	—
Investment properties	—	—	—	—	—	—
Long-term equity investments	3,135	3.43	2,434	2.62	0.81	—
Fixed assets	46,122	50.52	45,452	48.94	1.58	—
Construction in progress	5,933	6.50	5,756	6.20	0.30	—

### 2. Significant change in liabilities

*Unit: RMB' million*

	2014		2013		Increase/ decrease (%)	Explanation for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Short-term loans	14,672	16.07	9,241	9.95	6.12	—
Long-term loans	1,371	1.50	3,044	3.28	-1.78	—



# Management Discussion and Analysis *(continued)*

## ANALYSIS OF ASSETS AND LIABILITY *(CONTINUED)*

### 3. Assets and liabilities measured at fair value

Unit: RMB' million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Changes in fair value reported in equity	Impairment made for the period	Purchase in the current period	Disposal in the current period	Closing balance
<b>Financial assets</b>							
Of which:							
1. Financial assets measured at fair value through profit and loss (excluding derivative financial assets)	—	—	—	—	—	—	—
2. Derivative financial assets	—	—	—	—	—	—	—
3. Available-for-sale financial assets	56	—	11	—	—	—	96
Sub-total of financial assets	56	—	11	—	—	—	96
Investment properties	—	—	—	—	—	—	—
Productive biological assets	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
Total	56	—	11	—	—	—	96
<b>Financial liabilities</b>	—	—	—	—	—	—	—

Material changes in measurement of assets during the Reporting Period

Yes

No

### 4. Gearing ratio

As at 31 December 2014 and as at 31 December 2013, the Group's ratio of equity to liability was 1.12 times and 1.03 times, respectively.

### 5. Pledge of assets

As of 31 December 2014, the Group had no pledge of assets.

### 6. Contingent liabilities

As of 31 December 2014, the Group had no contingent liabilities.

# Management Discussion and Analysis *(continued)*

## ANALYSIS ON THE CORE COMPETITIVENESS

### 1. Having secured supply of iron ore by reliable resources

We are able to purchase raw materials for production from Angang Group Mining Company\* (鞍鋼集團礦業公司) which boasts advantages of premium quality, stable supply and convenient transportation. As a result, a strong support is provided to the Company to ensure stable production.

Angang Group Mining Company is the only mining enterprise in the PRC which possesses a complete industrial chain integrating exploration, mining, processing, sintering, pelletizing, production of auxiliary materials for iron and steel making, research and design of mining and processing techniques and export of engineering technologies, and ranks first in the PRC in terms of comprehensive strength. This company has measured iron ore resources of 8,800 million tons, representing an absolute advantage resources over the iron and steel enterprise in the PRC. It stands at the first place in the PRC and a leading position in the world in terms of production stripping capacity and ore dressing capacity. With industry leading mining technology in the PRC, industry leading ore dressing technology in the world and an international leading position in terms of major technical indicators of ore dressing, this company has also developed the capacity to export mining engineering technology.

### 2. Advantages in technology, equipment and research

The Company has been committed to technology transformation for more than a decade, which made its main equipments modern and large-scale. With an established product mix mainly including sheets and plates, the Company has attained domestic advanced level in terms of principal production techniques and technological equipments. Such technological equipments include, among others, sintering, coking, iron-making, steel-making, steel rolling and power equipments.

The Company is among the first-tier players in the metallurgical industry in terms of comprehensive research and development strength, the capacity of integration of development, design and construction as well as the intellectual property indicators such as the number of patents applied and approved and the number of exclusive technologies.

# Management Discussion and Analysis *(continued)*

## ANALYSIS ON THE CORE COMPETITIVENESS *(CONTINUED)*

### 3. Comparative advantage of certain products of the Company

In 2014, leveraging its advantages in independent innovation, the Company accelerated the progress of technological research and development and upgrading of equipment and production techniques as well as the pace in cultivation of new products, leading and exclusive products and strategic products, and thus significantly improved the Company's capacity of independent innovation and the competitiveness of core technology.

(1) Steel plates for automobiles and appliances

The development of steel plates for automobiles focused on the advanced high-strength steel products, including duplex stainless steel, high manganese transformation induced plasticity (TRIP) steel and twinning induced plasticity (TWIP) steel. In particular, the strength grades of duplex stainless steel were DP780, DP800, DP980 and DP1000, high manganese TRIP steel were TRIP600 and TRIP980 while TWIP steel were TWIP980 and TWIP1180. The DP and TRIP series advanced high-strength steel products have been sold over 80,000 tons. CR550/980QP products were adopted in the procurement list of Shanghai General Motors, marking the Company's first batch of supply of the 980MPa grade cold-rolled products.

(2) Steel for pipelines

The Company made impressive achievements in both the rolled and plate steel technology for pipeline steels. It developed the low-cost X80 steel for pipelines, X70Q and X80Q steel for floating LNG pipelines and the X70 plate steel for pipelines to be used in deep sea. The high-grade X90 and X100 pipeline steels were developed to the satisfaction of the technological requirement of pipeline design of PetroChina, which led the X90 to be a technology reserve of the laboratory.

(3) Electrical steel

As for the grain-oriented electrical steel, the Company put more efforts in the research and development of the production technology. It developed a number of technologies such as improving the yields of ordinary grain-oriented electrical steel through tempering, low-cost production of grain-oriented electrical steel and production of grain-oriented silicon steel using thin and medium slab in short process. As for the non-oriented electrical steel, the Company increased the research and development efforts in production technology and developed the tempering and annealing technology for high-designation non-oriented electrical steel, enhanced the electromagnetic performance of low-designation non-oriented electrical steel and improved the hot rolling technology for the surface quality of high-silicon non-oriented electrical steel. In addition, the Company carried out the research of production of semi-processed non-oriented electrical steel.

(4) Steel for oil well pipes

In the field of steel for oil well pipes, the Company laid focus on the development of two new products, which are J55-grade electric resistance welding (ERW) oil casing pipe with low yield ratio and M65-grade ERW oil casing pipe. Both products have completed formulating the quality plan for industrial trial manufacturing and the product supply technology agreements, and can be supplied in bulk.

# Management Discussion and Analysis *(continued)*

## ANALYSIS ON THE CORE COMPETITIVENESS *(CONTINUED)*

### 3. Comparative advantage of certain products of the Company *(Continued)*

(5) Steel for buildings and bridges

The Company developed the production technology for the 100mm Q420GJC ultra-thick building structural steel and the S355J2 titanium structural steel and economical structural steel with low yield ratio. As for the steel for bridges, the Q370qE and Q420qE products of the Company with high performance and low yield ratio have been used in the construction of the Yangtze River Bridge of the Shanghai-Nantong Railway, a cable-stayed bridge for both highway and railway purposes with the largest span in the world.

(6) Steel for nuclear power

In the field of steel for nuclear power, we mainly developed the ultra-thin SA-738GrB steel for nuclear purpose and the steel for the substrate of third-generation safety injection tank. In particular, the steel for such safety injection tank shell saw the domestic production for the first time, and such new product can be supplied in bulk.

(7) Steel for vessels

In the field of steel for vessels, we mainly developed the technologies such as the technology to control the level of Ni in 9Ni steel, high-strength ultra-thick steel for boiler and the 15CrMoR steel for hydrogen-contacting equipment. In particular, the Company achieved production of the ultra-thick grade hydrogen-contacting devices.

(8) Wire rods

The Company mainly developed products such as the wire rod for inner wire of elevator traction steel rope, the wire rod for high-strength pre-stressed steel strand, the wire rod for 90-grade ultra-high strength rubber tube steel wire and the wire rod for 70-grade and 80-grade outer wrap wire of cord thread.

### 4. Strength in corporate culture

We have established a profound corporate culture with “Innovation, Factualism, Hard working and Contribution” at its core, which generalizes, extracts and sublimate the spirits of our people of several generations over the growth of our Company. With rich connotation containment and denotation radiation, our corporate culture demonstrates the Chinese traditional virtues and fine style of work of the Chinese working class. Moreover, it has been endowed with additional rich connotation along with the new historical context to better address the actual corporate development status and the characteristics of the times, and thus developed into a distinctive culture of advantage, innovation, competition, and harmony.

# Management Discussion and Analysis *(continued)*

## ANALYSIS OF INVESTMENTS

### 1. External equity investment of the Company

#### (1) External Investments

<b>External Investments</b>		
<b>Investments in 2014</b> <i>(RMB' million)</i>	<b>Investments in 2013</b> <i>(RMB' million)</i>	<b>Change</b> <i>(%)</i>
1,681	280	500

#### Targets of investments

<b>Names of Companies</b>	<b>Principal Activities</b>	<b>The Company's interest in investees</b> <i>(%)</i>
Angang Steel Distribution (Wuhan) Co., Ltd.	Steel rolling process	100
Angang Steel Distribution (Hefei) Co., Ltd.	Steel rolling process	100
Shenyang Angang Steel International Trade Co, Ltd.	Other trade broker and agency	100
Shanghai Angang International Trade Co., Ltd.	Other trade broker and agency	100
Tianjin Angang North International Trade Co., Ltd.	Other trade broker and agency	100
Guangzhou Angang International Trade Co., Ltd.	Other trade broker and agency	100
Angang Steel Processing and Distribution (Dalian) Co., Ltd.	Steel rolling process	100
Angang Finance	Finance company	20
Angang Zhengzhou	Steel rolling process	100
Angang Guangzhou Automotive Kobelco Angang	Steel rolling process	100
AnSteel Chongqing Gaoqiang Auto Steel Co., Ltd.	Steel rolling process	51
Shanghai Huagongbao E-Commerce Co., Ltd.	Modern service business	50
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd.	Steel rolling process	23
		49

## Management Discussion and Analysis (continued)

### ANALYSIS OF INVESTMENTS (CONTINUED)

#### (2) Equity in Financial Enterprises held by the Company

Company name	Company type	Initial investment cost (RMB' million)	Number of shares held at the beginning of the Reporting Period (shares)	Shareholding ratio at the beginning of the Reporting Period (%)	Number of shares held at the end of the Reporting Period (million shares)	Shareholding ratio at the end of the Reporting Period (%)	Book value at the end of the Reporting Period (RMB' million)	Loss or gain during the Reporting Period (RMB' million)	Accounting item	Source of shares
Angang Financial Company	Other	315	—	20	—	20	1,130	90	Long-term equity investments	

#### (3) Securities Investment

Stock type	Stock code	Abbreviation	Initial investment cost (RMB' million)	Number of shares held at the beginning of the Reporting Period (million shares)	Shareholding ratio at the beginning of the Reporting Period (%)	Number of shares held at the end of the Reporting Period (million shares)	Shareholding ratio at the end of the Reporting Period (%)	Book value at the end of the Reporting Period (RMB' million)	Loss or gain during the Reporting Period (RMB' million)	Accounting item	Source of shares
Shares	600961	Zhuzhou Group (株冶集團)	81	10	1.9	10	1.9	96	—	Available for sale financial assets	Non-public offering

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

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

# Management Discussion and Analysis *(continued)*

## POSSIBLE RISKS WHICH THE COMPANY MAY ENCOUNTER

To facilitate the Company to accommodate the changes in internal and external environment, enhance the risk management and control capability and response capacity, ensure the continuous, healthy and stable development of the Company, the Company carried out risk appraisal for 2015. Based on the appraisal, the Company may encounter the following major risks in 2015:

### (1) Market competitions risks

Description of risks: As impacted by the factors such as sluggish performance and excess capacity in the iron and steel industry, a new normality of “high production, high cost, low price, low profit and tight capital” (兩高兩低一緊) has taken shape in the iron and steel industry, which make the competition in the industry fiercer. During the implementation of “going abroad” (走出去) strategy, the Company may be exposed to larger market risks, especially the anti-dumping risk, which will affect the normal operation of the Company. As the product structure can not fully satisfy the demand of customers for high-end and differentiated products, the iron and steel companies are exposed to huge market competition risks.

Risk management solution: For sales and marketing, the Company will improve the steel supply service, strengthen efforts in market exploration, innovate and expand sales channels. For adjustment of product structure, the Company will carry out integrated operation scheme in respect of quality of key products, and speed up the development of new products, strategic products, leading and unique products, thus sharpening the cutting edges of its products. In addition, the Company will pay close attention to the development of the down-stream industry, prepare for the adjustment of product structure in advance so as to acclimatize its products to the industry policy of the state. Further, it will improve the system and mechanism which enable the production, sales and research to interact favourable, fractionize the types of steel and formulate more detailed product plan for different customers, thus underpinning the specialized sales. For technology research and development, the Company will optimize and improve system and mechanism on technology research and development, define the orientation of technology research and development, introduce technology through many channels, and expedite technology upgrade and product research and development. Meanwhile, it will press ahead critical and backbone scientific research projects, resolve bottleneck of technology, enhance profitability, strengthen dynamic management of research and development projects, and improve the research and development level in a continuous manner.



## Management Discussion and Analysis *(continued)*

### **POSSIBLE RISKS WHICH THE COMPANY MAY ENCOUNTER *(CONTINUED)***

#### **(2) Environmental protection risk**

Description of the risk: As the newly promulgated Environmental Protection Law of the PRC came into effect in 2015, the iron and steel enterprises face huge pressure on environmental protection since the law impose higher requirements in respect of environmental protection.

Risk management solution: In accordance with the requirements of the new environmental protection law, the Company will speed up improvement of environment, vigorously carry out renovation to meet higher standards, accelerate the pace of pollution control, and endeavour to satisfy the requirements of the new environmental law.

#### **(3) Investment risk**

Description of the risk: The complicated and dynamic economic situation in China and the world brought greater uncertainties to the enterprises to make investment decision.

Solution: The Company will keep abreast of the relevant industry policy of the state as well as the changes in macro economy and industry market, prevent legal and policy risks, so as to provide decision-making basis for our investment. It will enhance management on project approval and filling, effectively avoid the non-compliance risk of project, strengthen review and examination of the annual investment plan, determine the priority of project implementation based on the profitability and market prospect of products, and arrange investment in a prudent manner. It will prioritize the projects relating to strategic layout, adjustment of varieties and structure, process improvement and ancillary facilities, energy conservation, cost reduction and efficiency increase, and focus on the debottleneck of production and operation.

# Significant Events

## I. MATERIAL LITIGATION AND ARBITRATION

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

## II. MATTERS QUESTIONED BY MEDIA

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

## III. MISAPPROPRIATION OF FUNDS BY CONTROLLING SHAREHOLDER AND CONNECTED PERSON

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

## IV. MATTERS RELATING TO INSOLVENCY AND RESTRUCTURING

Not applicable.

## V. TRANSACTION IN ASSETS

### 1. Acquisition of assets

Counterparty or the ultimate controlling party	The acquired or merged assets	Transaction Price (RM'000)	Progress	Impact on the operation of the Company	Impact on the profit or loss of the Company (RM'000)	Percentage of the net profit of the assets in the total net profit of the Company (%)	Whether is a connected transaction	Connected relationship with the counterparty (applicable to the connected transaction)
Angang Holding	Certain pellet production equipment	51	Completed	To help the Company to improve its construction efficiency and reduce construction cost, which enabled the Bayuquan production base to have comprehensive supporting capacity and enhance its competitiveness.	As the related business has consolidated into the Company, its profit or loss can not be calculated separately.	—	Yes	Controlling shareholder
Angang Holding	Assets of the Equipment Maintenance Center	59	Completed	To help the Company to improve its maintenance efficiency of equipment, lower maintenance and operation cost and reduce connected transactions.	As the related business has consolidated into the Company, its profit or loss can not be calculated separately.	—	Yes	Controlling shareholder

## Significant Events *(continued)*

### V. TRANSACTION IN ASSETS *(CONTINUED)*

2. **During the Reporting Period, the Company did not dispose any assets**
3. **Business Combinations**

None.

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

Not applicable.

### VII. CONNECTED TRANSACTIONS

During the year, the Group has conducted certain transactions with connected persons which constituted connected transactions and continuing connected transactions for the Group under the Hong Kong Listing Rules. Details of those connected transactions and continuing connected transactions which are subject to the reporting requirements under Rule 14A.49 of the Hong Kong Listing Rules are summarized below.

#### 1. **Non-exempt continuing connected transactions**

- A. Connected person: Angang Group  
Connected relationship: Controlling shareholder of the Company  
Settlement method of connected transaction: Payment by cash

## Significant Events (continued)

### VII. CONNECTED TRANSACTIONS (CONTINUED)

#### 1. Non-exempt continuing connected transactions (Continued)

##### A. Connected person: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Purchase of major raw materials from the related party	Iron concentrate	Not higher than the average import price reported to the PRC customs in the second month preceding the month of the transaction (T-2), plus the railway transportation cost from Bayuquan Port to the Company, and adjusted based on the average weighted grade of the iron concentrate imported by the Company, in the month of the transaction (T-2). For every one percentage point increase or decrease in the grade of iron concentrate, the price shall be increased or decreased by RMB10/ton. 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).	RMB696/ton	5,750	34.47
	Pellet	Market price	RMB890/ton	4,838	100
	Sinter ore	The price of iron concentrate plus processing cost in the preceding two months (T-2), the processing cost of which should not be higher than that of similar products produced by the Company.	RMB769/ton	2,354	100
	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).	RMB765/ton	551	100
	Scrap steel	Market price	—	308	23.46
	Billets		—	251	94.57
	Alloy and non-ferrous metal		—	82	2.53
	Sub-total		—	—	14,134

# Significant Events (continued)

## VII. CONNECTED TRANSACTIONS (CONTINUED)

### 1. Non-exempt continuing connected transactions (Continued)

#### A. Connected person: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Procurement of energy and power from the related party	Electricity	State price	RMB0.45/Kwh	1,763	36.94
	Water	State price	RMB2.10/ton	45	5.14
	Stream	Cost of production plus gross profit margin of 5%	RMB33.51/GJ	18	100
	Sub-total	—	—	1,826	32.23
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	RMB55.57/ton	172	80.22
	Lime powder		RMB401.53/ton	727	90.10
	Refractory materials		—	512	38.40
	Other ancillary materials		—	292	11.41
	Spare parts		—	623	30.29
	Sub-total		—	—	2,326
Purchase of support services from the related party	Railway transportation	State price	—	641	56.69
	Road transportation	Market price	—	609	84.78
	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)	—	126	100
	Repair and maintenance of equipment and service	Market price	—	891	54.02
	Design and engineering services		—	1,566	36.03
	Education facilities, vocational education, on-the-job training, translation work		—	5	39.80
	Newspaper and other publications	State price	—	2	22.30
	Telecommunication business and services, information system	State price or depreciation plus maintenance costs	—	29	62.00
	Production assistance and maintenance	Expenses of labour, materials and management as paid based on market prices	—	924	66.28
	Welfare assistance and maintenance		—	248	89.33
	Company vehicle services	Market price	—	1	80.81
	Environmental protection and security inspection services	State price	—	8	93.86
	Business reception and meeting	Market price	—	4	41.19
	Supply of heating	State price	—	3	3.57
	Greening services	Expenses of labour, materials and management as paid based on market prices	—	46	100
	Security services		—	1	6.60
	Sub-total	—	—	—	5,104

## Significant Events (continued)

### VII. CONNECTED TRANSACTIONS (CONTINUED)

#### 1. Non-exempt continuing connected transactions (Continued)

##### A. Connected person: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Buyout of steel products from the related party for resale	Steel products	The selling price charged by the Company to third parties minus the commission fees of RMB20-35 per ton	RMB3,203/ton	300	100
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.	RMB2,909/ton	3,077	4.49
	Molten iron		RMB2,053/ton	68	100
	Billets		RMB2,494/ton	505	60.30
	Coke		—	37	100
	Chemical by-products		—	197	8.83
	Sub-total		—	—	3,884
Sale of scrap steel and abandoned material to the related party	Scrap steel	Market price	—	162	97.12
	Abandoned material		—	14	72.64
	Obsolete assets or idle assets	Market price or appraised price	—	1	100
	Sub-total	—	—	177	94.64
Sale of comprehensive services to the related party	Fresh water	State price	RMB3.13/ton	53	98.42
	Clean recycled water	Production cost plus a gross profit margin of 5%	RMB0.74/ton	19	99.98
	Soft water		RMB4.90/ton	1	100
	Gas		RMB50.95/GJ	478	81.72
	Blast furnace gas		RMB4.00/GJ	61	100
	Steam		RMB47.51/GJ	25	97.08
	Nitrogen		RMB262.36/Km <sup>3</sup>	5	38.49
	Oxygen		RMB398.51/Km <sup>3</sup>	7	33.06
	Argon		RMB595.99/Km <sup>3</sup>	2	16.28
	Compressed air		RMB106.10/Km <sup>3</sup>	1	99.66
	Used hot water		RMB10.81/GJ	24	84.74
	Product testing service	Market price	—	5	87.66
	Transportation service		—	65	35.32
	Lease of production line			4	100
	Sub-total	—	—	750	38.36
	Total			28,501	
Reasons for the connected transactions:	As production in the iron and steel industry is on a continuous basis, Angang Holding Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of supply chain of the Company. In the meantime, its internal subsidiaries have a high technological level and service capabilities, which can provide necessary support services and financial services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Holding Group which is a client of the Company.				

## Significant Events *(continued)*

### VII. CONNECTED TRANSACTIONS *(CONTINUED)*

#### 1. Non-exempt continuing connected transactions *(Continued)*

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

Type	Details	Pricing principle	Price	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	—	7	54.72
	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	—	58	3.67

- C. Connected person: Pangang Vanadium & Titanium Group
- Connected relationship: Controlled indirectly by the common controlling shareholder of the Company
- Settlement method of Connected transaction: Payment by cash



## Significant Events *(continued)*

### VII. CONNECTED TRANSACTIONS *(CONTINUED)*

#### 1. Non-exempt continuing connected transactions *(Continued)*

##### C. Connected person: Pangang Vanadium & Titanium Group *(Continued)*

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Purchase of raw materials from the related party	Iron concentrate	Not higher than the average import price of domestic iron concentrate reported to the PRC Customs in the month (T-2) plus the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the trade of the iron concentrate which was based on the average weighted grade of the iron concentrate imported by the Company in the month (T-2). For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/ton. 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)	RMB690/ton	1,422	8.52
	Alloy	Market price	—	68	2.10
	Total		—	1,490	7.48
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)*

### VII. CONNECTED TRANSACTIONS *(CONTINUED)*

#### 1. Non-exempt continuing connected transactions *(Continued)*

For the above continuing connected transactions, the independent non-executive Directors of the Company expressed their opinions as follows:

(1) the continuing connected transactions of the Company in 2014 were carried out in the usual course of business of the Company; (2) the continuing connected transactions of the Company in 2014 were conducted (a) in accordance with the normal commercial terms (with reference to transactions of a similar nature made by similar entities in the PRC); (b) on terms no less favourable than the terms available to or offered by the third parties (if no comparable case is available); and (c) on terms which are fair and reasonable to shareholders of the Company (if no reference is available); (3) the continuing connected transactions of the Company in 2014 were conducted in accordance with the terms set out in the Supply of Materials and Services Agreement (2014–2015) and the Supply of Materials Agreement (2014–2015) approved at the annual general meeting of the Company in 2012, the Financial Service Agreement (2014) approved at the thirteenth meeting of the Sixth Session of the Board, the Buyout of Steel Products for Resale Agreement (《買斷銷售鋼材服務協議》) approved at the first extraordinary general meeting of the Company in 2014, the Minerals Sales and Services Agreement (《礦產品買賣及服務協議》) approved at seventeenth meeting of the Sixth Session of the Board, the Karara Minerals Routine Sales and Service Agreement (2014–2015) and the Pellet Sales Agreement approved at the second extraordinary general meeting in 2014 (the “Continuing Connected Transaction Agreements”), which are fair and reasonable and in the interest of the Company and shareholders as a whole; (4) On 31 December 2013, the Financial Services Agreement (2014–2015) was voted down at the general meeting of the Company. From January to February 2014, the Company proactively communicated with the Shenzhen Stock Exchange and Hong Kong Stock Exchange. On 14 February 2014, the Financial Services Agreement (2014) was finally approved by the Board within its authority. During such communications, maximum daily balance of the deposits exceeded the limit the Board could approve due to the continuity of financial service. After the Financial Services Agreement (2014) was approved by the Board, the Company strictly monitored the indices relating to the connected transactions and; (5) Save for the circumstance mentioned in the aforesaid (4), the total amount of continuing connected transactions of the Company in 2014 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements.

## Significant Events *(continued)*

### VII. CONNECTED TRANSACTIONS *(CONTINUED)*

#### 1. Non-exempt continuing connected transactions *(Continued)*

The auditors of the Company have reviewed the above continuing connected transactions and issued a letter to the Board. In respect of the continuing connected transaction disclosed by the Company, the auditors are of the opinion that:

- (1) No objective fact has brought our attention and made us believe that the disclosed continuing connected transactions have not been approved by the Board of the Company.
- (2) For the transactions involving provision of the Group's goods and service, no objective fact has brought our attention that connected transactions are not carried out pursuant to the pricing policy of the Group in all material aspects.
- (3) No objective fact has brought our attention and made us believe that the connected transactions are not carried out pursuant to relevant agreements in all material aspects.
- (4) Save for the maximum daily balance of the deposits with Angang Financial Company, in respect of the total amount of continuing connected transactions in the aforesaid tables, no objective fact has been brought to our attention and made us believe that the disclosed continuing connected transactions have exceeded the annual caps for such transactions disclosed by the Company in the announcements dated 1 June 2013 and 15 February 2014 respectively.

#### 2. Non-exempt connected transactions

##### A. Connected transaction of assets acquisition and disposal

Party	Relationship	Type	Content	Pricing Principle	Book value of transferred Assets (RMB'000)	Appraised value of transferred assets (RMB'000)	Fair market value (RMB'000)	Transfer price (RMB'000)	Settlement	Loss or Profit (RMB'000)
Angang Holding	Controlling shareholder	Acquisition	Certain pellet production equipment	With reference to the appraised value and determined through negotiation by both parties	957	6,207	5,127	5,127	Settled by cash	As the related business has consolidated into the Company, its profit or loss can not be calculated separately.
Angang Holding	Controlling shareholder	Acquisition	Assets of the Equipment Maintenance Center	Based on the appraised value	2,924	5,883	5,883	5,883	Settled by cash	As the related business has consolidated into the Company, its profit or loss can not be calculated separately.

## Significant Events *(continued)*

### VII. CONNECTED TRANSACTIONS *(CONTINUED)*

#### 2. Non-exempt connected transactions *(Continued)*

##### A. Connected transactions of assets acquisition and disposal *(Continued)*

Reasons for the substantial difference between the transfer price and the book value or the appraised value (if any)	<ol style="list-style-type: none"><li>1. The main reasons for the increase in the appraised value of certain pellet production equipment:  The main reasons for the increase in net appraised value of machines and equipment: the Company adopted the depreciable life of such machines and equipment for accounting purpose, which was less than the sum of used years and remaining usable years used in appraisal, and only residual value remained in the book value of some of the equipment.</li><li>2. The main reasons for the increase in the appraised value of assets of Equipment Maintenance Center:<ol style="list-style-type: none"><li>(1) The increase in appraised value of properties and buildings is mainly due to the relatively short depreciable life (20 years), which resulted in lower book value. While the economic durable life for such properties is 50 years based on appraisal standards adopted in the appraisal. In addition, through site investigation, the properties and buildings have safe structure and their auxiliary facilities are under normal operation, which resulted in higher residue value rate as compared with net book value rate. As the appraisal is based on the actual status of the assets, the appraised value of such assets increased substantially as compared with its net book value.</li><li>(2) The increase in appraised value of equipment assets is mainly attributable to the fact that the depreciable life of equipment (3 to 6 years) adopted by the Company is shorter than the economic durable life (5 to 18 years) of such equipment adopted in appraisal.</li></ol></li></ol>
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## Significant Events *(continued)*

### VII. CONNECTED TRANSACTIONS *(CONTINUED)*

#### 2. Non-exempt connected transactions *(Continued)*

##### A. Connected transactions of assets acquisition and disposal *(Continued)*

- Impact on the operating result and the financial condition of the Company
1. Acquisition of certain pellet production equipment will help the Company to improve its construction efficiency and reduce construction cost, which enabled the Bayuquan production base to have comprehensive supporting capacity and enhance its competitiveness.
  2. Acquisition of assets of Equipment Maintenance Center will help the Company to improve its maintenance efficiency of equipment, lower maintenance and operation cost and reduce connect transactions.

##### B. Connected transactions of joint external investment

Joint parties	Connected relationship	Pricing Principles	Investee	Principal business of the investee	Registered capital of the investee (RMB'000)	Total assets of the investee (RMB'000)	Net assets of the investee (RMB'000)	Net profit of the investee (RMB'000)
Pangang Group Xichang Steel & Vanadium Company Limited (攀鋼集團西昌鋼鈹有限公司)	Under the common control of the same controlling shareholder with the Company	Based on the percentage of contribution	Angang Chongqing High-strength Automobile Steel Co., Ltd. (鞍鋼重慶高強汽車鋼有限公司)	Processing of steel products and repair	10,000	60,382	10,000	0
Angang Constrion Group Company Limited (鞍鋼工程建設集團有限公司), Angang Group Comprehensive Industry Development Company Limited (鞍鋼集團綜合實業發展有限公司)	Under the common control of the same controlling shareholder with the Company	Based on the percentage of contribution	Angang Gas Company Limited (鞍鋼氣體有限公司)	Production and sale of various industrial gases; preparation of standard gas; production and sale of medical gas; research, development and production of gases for police and fire-fighting purposes.	4,500	—	—	—

# Significant Events *(continued)*

## VII. CONNECTED TRANSACTIONS *(CONTINUED)*

### 2. Non-exempt connected transactions *(Continued)*

#### B. Connected transactions of joint external investment *(Continued)*

- |  |  |
|--|--|
| Progress of material projects under construction for the investees | 1. Angang Chongqing High-strength Automobile Steel Co., Ltd. is under construction period and has not been put into operation. |
|  | 2. Angang Gas Company Limited is under preparation period, and its shareholders have not contributed capital.                  |

Save as otherwise disclosed above, the Company has complied with the disclosure requirements prescribed in Chapter 14A of the Hong Kong Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2014.

### 3. Claims or obligations

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

As at 31 December 2014, RMB51 million and RMB5,998 million of bank borrowings of the Group were guaranteed by Angang Holding and Angang Group Company respectively.

### 4. Related party transactions

The Group has entered into certain transactions with parties regarded as “related parties” under the applicable accounting standards during the financial year ended 31 December 2014. These related party transactions included continuing connected transactions and connected transactions under Chapter 14A of the Hong Kong Listing Rules and are set out above in this section on pages 50 to 60. Details are set out in note 11 to the financial statements.

## Significant Events *(continued)*

### VIII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

#### 1. Trust, contractual or lease arrangement

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

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

#### 2. Material guarantee

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

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

#### 1. Non-competition commitments of Angang Holding

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

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

## Significant Events *(continued)*

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

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

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

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

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



## Significant Events *(continued)*

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

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

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

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

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

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

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

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

Period of undertakings: Long-term effectiveness.

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

## Significant Events *(continued)*

### X. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

#### 1. Accounting firm currently engaged by the Company

Name of the PRC auditor	Ruihua Certified Public Accountants (Special General Partnership)
Remuneration of the PRC auditor (RMB 0'000)	372
Continued term of service of the domestic accounting firm	2 years
Name of certified public accountants of the domestic accounting firm	Cao Bin and Li Zhushan

#### 2. Whether appointed another accounting firm during the Reporting Period

Yes  No

#### 3. Whether appointed another accounting firm during the audit period

Yes  No

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

Applicable  Not applicable

The Company engaged Ruihua Certified Public Accountants (Special General Partnership) as the internal control and auditing firm of the Company for 2014 and the remuneration was RMB0.88 million.

### XI. PENALTY AND RECTIFICATIONS

Not applicable.

# Movement in Share Capital and Shareholders' Profile

## 1. MOVEMENT IN SHARE CAPITAL

Unit: Share

	Before the change		Increase/decrease during the period (+/-)					After the change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from accumulated fund	Others	Sub-total	Number	Percentage (%)
<b>I. Shares subject to trading moratorium</b>	103,900	0.00	—	—	—	-30,000	-30,000	73,900	0.00
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Including: shares held									
by domestic legal persons	—	—	—	—	—	—	—	—	—
shares held by domestic natural persons	—	—	—	—	—	—	—	—	—
4. Foreign shares	—	—	—	—	—	—	—	—	—
Including: shares held									
by overseas legal persons	—	—	—	—	—	—	—	—	—
shares held by overseas natural persons	—	—	—	—	—	—	—	—	—
5. Senior management shares	103,900	0.00	—	—	—	-30,000	-30,000	73,900	0.00
<b>II. Shares not subject to trading moratorium</b>	7,234,703,947	100.00	—	—	—	30,000	30,000	7,234,733,947	100.00
1. Renminbi ordinary shares	6,148,903,947	84.99	—	—	—	30,000	30,000	6,148,933,947	84.99
2. Domestically listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign shares	1,085,800,000	15.01	—	—	—	—	—	1,085,800,000	15.01
4. Others	—	—	—	—	—	—	—	—	—
<b>III. Total shares</b>	<b>7,234,807,847</b>	<b>100.00</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0</b>	<b>0</b>	<b>7,234,807,847</b>	<b>100.00</b>

Reasons for movement in shares:

During the Reporting Period, certain Directors of the Company have resigned for 6 months, leading to changes in the number of shares subject to trading moratorium, senior management shares, shares not subject to trading moratorium, and Renminbi ordinary shares of the Company.

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

## 2. SHAREHOLDERS AND DE FACTO CONTROLLER

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

Unit: Share

The total number of shareholders of the Company as at the end of the Reporting Period	157,154, of which 603 were holders of H Shares
The total number of shareholders of the Company as at 24 March 2015	157,969

#### 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	Status of shares	Amount
Angang Holding	State-owned legal person	67.29	4,868,547,330	-36,360,960	—	4,868,547,330	—	—
HKSCC (Nominees) Limited	Overseas legal person	14.84	1,073,990,005	+672,305	—	1,073,990,005	—	—
ICBC — Guangfa Strategic Prime Mixed Security Investment Fund (中國工商銀行—廣發策略優選混合型證券投資基金)	Fund, wealth management product, etc. (06)	0.32	23,204,507	+23,204,507	—	23,204,507	—	—
Li Yulan (李玉蘭)	Domestic natural person	0.31	22,141,605	+10,778,805	—	22,141,605	—	—
Zhu Gang (朱綱)	Domestic natural person	0.18	13,283,860	+13,283,860	—	13,283,860	—	—
China Construction Bank — China AMC Dividend Mixed Open-End Securities Investment Fund (中國建設銀行—華夏紅利混合型開放式證券投資基金)	Fund, wealth management product, etc. (06)	0.18	12,869,928	+12,869,928	—	12,869,928	—	—
China Construction Bank — Great Wall Brand Prime Equity Securities Investment Fund (中國建設銀行—長城品牌優選股票型證券投資基金)	Fund, wealth management product, etc. (06)	0.17	12,202,881	+12,202,881	—	12,202,881	—	—
Liang Yaohui (梁耀輝)	Domestic natural person	0.14	10,440,000	0	—	10,440,000	Judicially frozen	10,440,000
Bank of China Limited — Harvest CSI 300 Index Open-ended Securities Investment Fund (中國銀行股份有限公司—嘉實滬深300交易型開放式指數證券投資基金)	Fund, wealth management product, etc. (06)	0.14	10,093,900	+10,093,900	—	10,093,900	—	—
Industrial & Commercial Bank of China Ltd. — Guangfa Theme Leading Flexible Configuration Mixed Securities Investment Fund (中國工商銀行股份有限公司—廣發主題領先靈活配置混合型證券投資基金)	Fund, wealth management product, etc. (06)	0.14	9,999,803	+9,999,803	—	9,999,803	—	—

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

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

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

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

#### 1. Number of shareholders and details of shareholding of the Company (Continued)

##### Shareholdings of the top 10 shareholders not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium at the end of the Year	Type of share	Amount
Angang Holding	4,868,547,330	Renminbi ordinary shares	4,868,547,330
HKSCC (Nominees) Limited	1,073,990,005	Overseas listed foreign shares	1,073,990,005
ICBC — Guangfa Strategic Prime Mixed Security Investment Fund (中國工商銀行—廣發策略優選混合型證券投資基金)	23,204,507	Renminbi ordinary shares	23,204,507
Li Yulan (李玉蘭)	22,141,605	Renminbi ordinary shares	22,141,605
Zhu Gang (朱鋼)	13,283,860	Renminbi ordinary shares	13,283,860
China Construction Bank — China AMC Dividend Mixed Open-End Securities Investment Fund (中國建設銀行—華夏紅利混合型開放式證券投資基金)	12,869,928	Renminbi ordinary shares	12,869,928
China Construction Bank — Great Wall Brand Prime Equity Securities Investment Fund (中國建設銀行—長城品牌優選股票型證券投資基金)	12,202,881	Renminbi ordinary shares	12,202,881
Liang Yaohui (梁耀輝)	10,440,000	Renminbi ordinary shares	10,440,000
Bank of China Limited — Harvest CSI 300 Index Open-ended Securities Investment Fund (中國銀行股份有限公司—嘉實滬深300交易型開放式指數證券投資基金)	10,093,900	Renminbi ordinary shares	10,093,900
Industrial & Commercial Bank of China Ltd.—Guangfa Theme Leading Flexible Configuration Mixed Securities Investment Fund (中國工商銀行股份有限公司—廣發主題領先靈活配置混合型證券投資基金)	9,999,803	Renminbi ordinary shares	9,999,803

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

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

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

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

### 2. Details of the controlling shareholder of the Company

Controlling Shareholder	Legal representative	Date of incorporation	Organization code	Registered capital	Principal scope of operation
Angang Holding	Zhang Xiaogang	9 July 1949	24142001-4	RMB10,794 million	Production of steel products, metal products (non-franchise), cast iron tubes, metal structures, metal wire and products, sintering and coking products, cement, power generation, metallurgical machinery equipment and parts, electrical machinery, electricity transmission and supply, and control equipment and meters, mining of iron and manganese ores, refractory earth and stone extraction.

#### Future Development Strategies

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

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

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

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

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

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

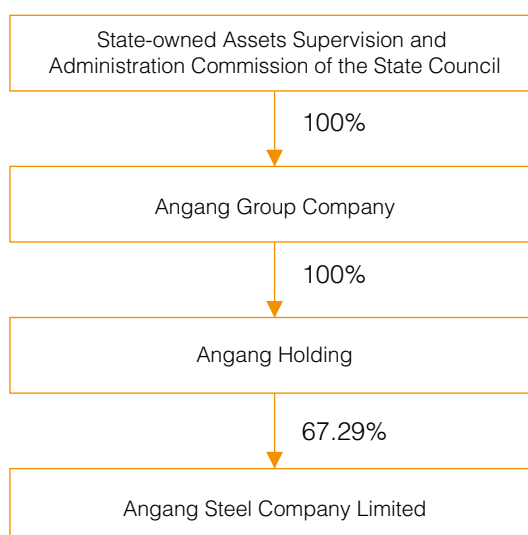
### 2. SHAREHOLDERS AND DE FACTO CONTROLLER *(CONTINUED)*

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

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

Abbreviation of listed companies	Number of shares held <i>(shares)</i>	Percentage of Shareholdings <i>(%)</i>
Agricultural Bank of China	594,379,000	0.18
China Construction Bank	1,023,381	0.0004
Bank of China	1,270,722	0.0004
Avic Capital (中航投資)	6,906,352	0.19
China Heavy (中國重工)	141,239,672	0.77
Guang Yu Yuan (廣譽遠)	8,064,200	3.31
Huadian Heavy Industries (華電重工)	2,000	0.0003
Jien Nickel (吉恩鎳業)	21,690,200	1.35
Yangtang Milk (燕塘乳業)	500	0.0003
Xishan Coal Electricity (西山煤電)	150,000	0.005
Pangang Steel & Vanadium (攀鋼鈮鈦)	928,946,141	10.81

#### 3. Details of de facto controller of the Company



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

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

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

Save as disclosed below, as at 31 December 2014, no parties (other than Directors, Supervisors and senior management of the Company) had any interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 366 of the SFO.

##### Interests in ordinary shares of the Company

Name of shareholders	Number and category of shareholding	Percentage of total share capital	Percentage of total H Shares in issue	Percentage of total domestic shares in issue	Capacity
Angang Holding	4,868,547,330 State shares	67.29%	—	79.18%	Beneficial owner
HKSCC Nominees Limited	1,073,990,005 H Shares	14.84%	98.91%	—	Nominee



# Information on Directors, Supervisors, Senior Management and Employees

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

Name	Position	Status of Position	Gender	Age	Date of Commencement of Term	Date of Termination of Term	No. of Shares Held			Shares Held at the End of the Reporting Period (shares)
							No. of Shares at the Beginning of the Reporting Period (shares)	No. of Shares Increased in the Reporting Period (shares)	No. of Shares Reduced in the Reporting Period (shares)	
Zhang Xiaogang	Chairman	In office	Male	61	2013.07.08	—	10,000	—	—	10,000
Tang Fuping	Vice Chairman	In office	Male	57	2013.07.08	—	10,000	—	—	10,000
Yang Hua	Vice Chairman	In office	Male	53	2013.07.08	—	10,000	—	—	10,000
Wang Yidong	Director	In office	Male	47	2013.07.08	—	10,200	—	—	10,200
	General Manager	In office			2013.07.08	—				
Ma Lianyong	Director	In office	Male	53	2013.07.08	—	10,000	—	—	10,000
	Secretary to the Board	In office			2013.05.15	—				
	Chief Accountant	In office			2002.03.25	—				
Chen Fangzheng	Independent non-executive Director	In office	Male	69	2013.07.08	—	0	—	—	0
Qu Xuanhui	Independent non-executive Director	In office	Male	55	2013.07.08	—	0	—	—	0
Liu Zhengdong	Independent non-executive Director	In office	Male	49	2014.06.04	—	0	—	—	0
Wilton Chi Wai Chau	Independent non-executive Director	In office	Male	54	2014.06.04	—	0	—	—	0
Xu Zhiwu	Chairman of the Supervisory Committee	In office	Male	55	2013.12.31	—	0	—	—	0
Song Jun	Supervisor	In office	Male	56	2014.10.14	—	0	—	—	0
Bai Hai	Supervisor	In office	Male	40	2013.07.08	—	0	—	—	0
Zhang Lifan	Deputy General Manager	In office	Female	50	2009.11.05	—	11,000	—	2,750	8,250
Ren Ziping	Chief Engineer	In office	Male	51	2011.08.12	—	24,000	—	—	24,000
Liu Jun	Deputy General Manager	In office	Female	47	2013.03.27	—	0	—	—	0
Liu Jie	Deputy General Manager	In office	Male	49	2014.12.19	—	0	—	—	0
Jing Fengru	Deputy General Manager	In office	Male	54	2014.12.19	—	0	—	—	0
Li Shijie	Former Independent non-executive Director	Resigned	Male	71	2013.07.08	2014.06.04	0	—	—	0
Kwong Chi Kit, Victor	Former Independent non-executive Director	Resigned	Male	48	2013.07.08	2014.06.04	0	—	—	0
Shan Mingyi	Former supervisor	Resigned	Male	63	2013.07.08	2014.10.14	15,124	—	—	15,124

Note: All the shares mentioned above are A Shares of the Company. The shares of Shan Mingyi are partially held in the capacity of family interest (held by his spouse) and are partially held in the capacity of individual beneficial owner; the rest of the others held the shares in their capacity as individual beneficial owners.

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

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

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

## II. EMPLOYMENT INFORMATION

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

#### Members of the Board of Directors

##### Executive Directors:

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

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

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

## II. EMPLOYMENT INFORMATION *(CONTINUED)*

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

#### Member of the Board of Directors *(Continued)*

#### Executive Directors: *(Continued)*

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

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

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

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

## II. EMPLOYMENT INFORMATION *(CONTINUED)*

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

#### Independent Non-executive Directors:

**Mr. Chen Fangzheng** is an independent non-executive Director of the Company. He is currently a professor and tutor for doctoral students of Tongji University. Mr. Chen graduated from the Hefei University of Technology with a bachelor degree. Mr. Chen was an associate professor at the Economics Department of Anhui University and a professor at the Finance Department of Southeast University. Mr. Chen currently serves as an independent director of Tianan Property Insurance Co., Ltd. (天安財產保險股份有限公司).

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

**Mr. Liu Zhengdong** currently serves as an independent non-executive Director of the Company and the deputy head of Special Steel Institute under Central Iron & Steel Research Institute of China Iron & Steel Research Institute Group. He is a senior engineer at the professor level. Mr. Liu graduated from the Department of Mechanical Engineering of Tsinghua University in 1990 with a bachelor degree in pressure processing. He obtained the master degree in metal materials and heat treatment from Central Iron & Steel Research Institute in 1993. Mr. Liu obtained the doctorate degree from the department of metallurgical engineering of the University of British Columbia in 2000. Mr. Liu currently also serves as a member of the expert committee of the PRC National Nuclear Safety Administration, the doctoral supervisor in the Central Iron & Steel Research Institute and Kunming University of Science and Technology.

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

## II. EMPLOYMENT INFORMATION *(CONTINUED)*

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

#### **Independent Non-executive Directors:** *(Continued)*

**Mr. Wilton Chi Wai Chau** currently serves as an independent non-executive Director of the Company and the director of Qleap Asia Limited and the chairman of Qleap Venture Limited. He is a fellow member of The Association of Chartered Certified Accountants of the United Kingdom. Mr. Chau has a bachelor degree in applied mathematics, a bachelor degree in law, a master degree and a doctorate degree in business administration. Mr. Chau concurrently serves as a professor of practice in Entrepreneurship at the Business School and an associate director of the MBA Programs in the Chinese University of Hong Kong, a member of the Business Entrepreneurship Support & Training (BEST) Advisory Committee of Hong Kong Baptist University, an advisor to Institute of Technology Management in Taiwan National Chiao Tung University, and a member of the Advisory Committee (Business Degree Program) in the Singapore SIM University. Mr. Chau currently serves as an independent director of U-Home Group Holdings Limited (Stock Code: 2327), a company listed on the Hong Kong Stock Exchange.

#### **Members of the Supervisory Committee**

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

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

## II. EMPLOYMENT INFORMATION *(CONTINUED)*

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

#### Members of the Supervisory Committee *(Continued)*

**Mr. Song Jun** is a Supervisor of the Company and currently serves as the deputy secretary of the Communist Party Committee of the Company and is a senior political worker. Mr. Song graduated from the Liaoning Provincial Party School with a Bachelor's degree. He has previously held various positions including the secretary of the Communist Party Committee and secretary of the Commission for Discipline Inspection of Angang Machinery Manufacturing Co., Ltd.,\* (鞍鋼機械製造公司), the secretary of the Communist Party Committee and vice-chairman cum deputy manager of Angang Heavy Machinery Co., Ltd.,\* (鞍鋼重型機械有限責任公司) as well as the secretary of the Communist Party Committee cum secretary of the Commission for Discipline Inspection of Angang Production Coordination Centre\* (鞍鋼生產協力中心).

#### Staff Representative Supervisor

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

#### Other Senior Management Members

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

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

## II. EMPLOYMENT INFORMATION *(CONTINUED)*

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

#### Other Senior Management Members *(Continued)*

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

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

**Mr. Liu Jie** is a deputy general manager of the Company and a professor-level senior accountant. Mr. Liu has obtained a bachelor's degree in Industrial and Management Engineering from Harbin Institute of Technology and a master's degree in Business Administration from Dalian University of Technology. Mr. Liu joined Angang Holding in 1989 and has previously served as the head of Business Management Department, head of Management Innovation Department and head of Supervision Department of Angang Holding, the chairman of the supervisory committee of Angang Group Engineering Technology Co., Ltd., the chairman of the supervisory committee of Angang Group Hong Kong Co., Limited (Angang Trade Company), and the deputy general manager of Angang Holding.

**Mr. Jing Fengru** is a Deputy General Manager of the Company and a senior engineer. Mr. Jing graduated from the Faculty of Metallurgical Machinery of the Northeast Heavy Machinery Institute with a bachelor's degree in engineering in smelting equipment and technology and from Yanshan University with a PhD degree in machinery design and theory. Mr. Jing joined Angang Holding in 1983 and has previously served as the head of the Third Steelmaking Plant of Angang Holding, the head of Equipment Department of Angang Holding, the deputy general manager of Angang New Steel and Iron Company Limited, the director of Angang Equipment Overhaul Association Centre (鞍鋼設備檢修協力中心), the head of Angang Project Management Department, and the deputy general manager of Angang Holding.

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

## II. EMPLOYMENT INFORMATION *(CONTINUED)*

### 2. Position in the shareholders of the company

Name of the personnel who held position		Name of the shareholder	Position in the shareholder	Commencement		Receipt of remuneration and allowance in the shareholder
				date of terms	End date of terms	
Zhang Xiaogang	Angang Holding	Angang Group Company	Chairman and Director	January 2013	February 2015	Yes
	Angang Group Company		Director	July 2011	—	
	Angang Group Company		General Manager	July 2011	February 2015	
Tang Fuping	Angang Group Company	Angang Holding	General Manager	February 2015	—	Yes
	Angang Holding		General Manager	January 2013	—	
Yang Hua	Angang Holding		Secretary of the Party Committee	January 2013	—	Yes
Xu Zhiwu	Angang Group Company		Director and Secretary of the Disciplinary Committee	July 2013	—	Yes

## III. REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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



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

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

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

Name	Position	Gender	Age	Status of Position	Total Remuneration Received from the Company	Total Remuneration Received from Shareholders	Actual Remuneration Received at the End of the Reporting Period
					(RMBO'000)	(RMBO'000)	(RMBO'000)
Zhang Xiaogang	Chairman	Male	61	In office	0	72.05	72.05
Tang Fuping	Vice Chairman	Male	57	In office	0	66.13	66.13
Yang Hua	Vice Chairman	Male	53	In office	0	67.61	67.61
Wang Yidong	Director, General Manager	Male	47	In office	47.68	0	47.68
Ma Lianyong	Director, Secretary to the Board Chief Accountant	Male	53	In office	32.01	0	32.01
Chen Fangzheng	Independent Non-executive Director	Male	69	In office	9.00	0	9.00
Qu Xuanhui	Independent Non-executive Director	Male	55	In office	9.00	0	9.00
Liu Zhengdong	Independent Non-executive Director	Male	49	In office	5.25	0	5.25
Wilton Chi Wai Chau	Independent Non-executive Director	Male	54	In office	5.25	0	5.25
Xu Zhiwu	Chairman of the Supervisory Committee	Male	54	In office	0	47.26	47.26
Song Jun	Supervisor	Male	56	In office	35.90	0	35.90
Bai Hai	Supervisor	Male	40	In office	10.17	0	10.17
Zhang Lifan	Deputy General Manager	Female	50	In office	32.00	0	32.00
Ren Ziping	Chief Engineer	Male	51	In office	32.36	0	32.36
Liu Jun	Deputy General Manager	Female	47	In office	27.36	0	27.36
Liu Jie	Deputy General Manager	Male	49	In office	0	24.16	24.16
Jing Fengru	Deputy General Manager	Male	54	In office	0	32.99	32.99
Li Shijie	Former Independent Non-executive Director	Male	71	Resigned	4.50	0	4.50
Kwong Chi Kit, Victor	Former Independent Non-executive Director	Male	48	Resigned	4.50	0	4.50
Shan Mingyi	Former supervisor	Male	62	Resigned	0	0	0

Note: The above remuneration excludes the endowment insurance, other insurance and welfare fund.

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

### IV. CHANGES IN THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Category	Date	Reason
Liu Zhengdong	Independent Non-executive Director	Elected	2014.06.04	Elected at the 2013 annual general meeting.
Wilton Chi Wan Chau	Independent Non-executive Director	Elected	2014.06.04	Elected at the 2013 annual general meeting.
Song Jun	Supervisor	Elected	2014.10.14	Elected at the 2014 second extraordinary general meeting.
Liu Jie	Deputy General Manager	Appointed	2014.12.19	The twenty-seventh meeting of the Sixth Session of the Board of the Company approved the appointment.
Jing Fengru	Deputy General Manager	Appointed	2014.12.19	The twenty-seventh meeting of the Sixth Session of the Board of the Company approved the appointment.

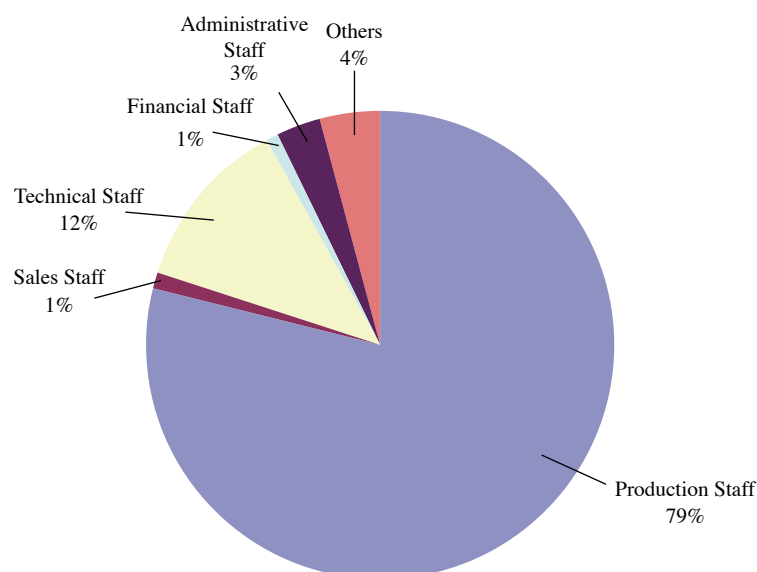
### V. CHANGES OF KEY TECHNICAL TEAM OR KEY TECHNICAL STAFF (OTHER THAN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT) DURING THE REPORTING PERIOD

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

### VI. EMPLOYEES OF THE COMPANY

As at 31 December 2014, the Company had 39,446 employees, among whom:

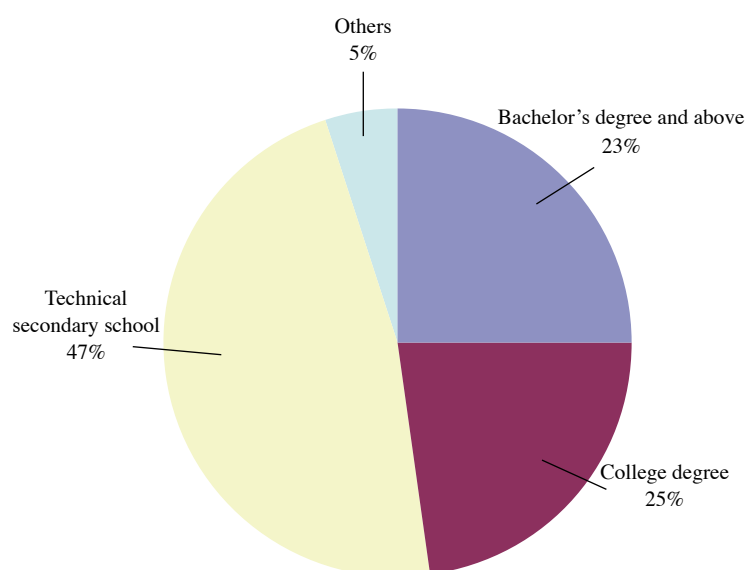
#### By Professional Structures:



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

### VI. EMPLOYEES OF THE COMPANY *(CONTINUED)*

#### By Educational Level:



In 2014, with a focus on further promotion of independent innovation, optimization of product structure, improvement of product quality and enhancement of corporate management and the stress laid on the enhancement of the capacity for implementation of modern enterprise's professional attitude and loyalty, exquisite professional technologies, exquisite vocational skills and innovative management application, the trainings of the Company closely revolved around the development strategy of human resources and the practical situation of production and operation. Through continuous improvement of the staff training model and practical enhancement of the pertinence and effectiveness of the trainings, the staff's overall quality had been improved comprehensively.

During the year, 33,130 person-times attended and completed centralized training courses. 830 person-times of senior management attended training for, among others, political theory knowledge, strategic management, 2,133 person-times of management and professional technical staff attended trainings for enhancement of application of innovative methods, and 8,329 person-times of management and professional technical staff attended trainings for management knowledge and expertise. 795 person-times of high-skilled talents attended trainings for the capability of innovation. 6,735 person-times of production staff attended trainings for technical grades and equipment inspection. 8,599 person-times attended trainings for specialized operation security qualifications, 5,214 person-times attended trainings for team and group security and vocational training. 169 employees attended entrusted trainings for on-the-job study for master degree. 326 management and experts attended training courses in colleges. 31,352 person-times completed training for on-the-job knowledge and operation techniques.

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

# Corporate Governance

## I. BASIC INFORMATION ON CORPORATE GOVERNANCE

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, the Corporate Governance Code 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.

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

Yes  No

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

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

## Corporate Governance *(continued)*

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

#### 1. Annual general meeting in the Reporting Period

Session and number of Meeting	Date of Meeting	Proposals in the Meetings	Resolution Status
2013 Annual General Meeting	4 June 2014	<ol style="list-style-type: none"> <li>1. To approve the report of the Board for the year of 2013;</li> <li>2. To approve the report of the supervisory committee of the Company for the year of 2013;</li> <li>3. To approve the 2013 annual report of the Company and its extracts;</li> <li>4. To approve the auditors' report of the Company for the year of 2013;</li> <li>5. To approve the proposal for distribution of profits of the Company for 2013;</li> <li>6. To approve the remunerations of the Directors and Supervisors of the Company for the year of 2013;</li> <li>7. To approve the proposal for appointment of Ruihua Certified Public Accountants (Special General Partnership) as the auditors of the Company for 2014 and to authorize the Board to determine their remunerations;</li> <li>8. To approve the proposal in relation to the appointment of independent non-executive Directors of the Sixth Session of the Board of the Company (Liu Zhengdong and Wilton Chi Wai Chau);</li> <li>9. To approve the proposal in relation to issuance of short-term financing bonds in the PRC inter-bank bonds market;</li> <li>10. To approve the proposal in relation to issuance of medium-term notes in the PRC inter-bank bonds market;</li> <li>11. To approve the proposal in relation to the amendments to the scope of business and relevant articles in the Articles of Association of the Company.</li> </ol>	Approved

#### 2. Extraordinary general meetings in the Reporting Period

Session and number of Meeting	Date of Meeting	Proposals in the Meetings	Resolution Status
2014 first extraordinary general meeting	3 March 2014	<ol style="list-style-type: none"> <li>1. To approve the proposal in relation to the annual caps for provision of distribution services on the basis of out-right purchase of steel products to Angang Group Company and its subsidiaries by the Company for 2014 and 2015</li> </ol>	All approved
2014 second extraordinary general meeting	14 October 2014	<ol style="list-style-type: none"> <li>1. To approve the proposal in relation to the Karara Minerals Routine Sales and Service Agreement (2014-2015) entered into between the Company and Angang Trade;</li> <li>2. To approve the proposal in relation to the Pellet Sales Agreement entered into between the Company and Angang Group Company;</li> <li>3. To approve the appointment of Mr. Song Jun as a shareholders' representative supervisor of the Sixth Session of the Supervisory Committee of the Company;</li> <li>4. To approve the proposal in relation to the amendments to the scope of business and relevant articles in the Articles of Association.</li> </ol>	All approved

## Corporate Governance (continued)

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

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

##### Attendance of independent Directors at Board meetings

Name of independent Directors	Required attendance at the Board meetings during the Reporting Period	Attendance			Absence	Non-attendance in person for two consecutive times
		in person	through communication	by proxy		
Chen Fangzheng	19	4	15	0	0	No
Qu Xuanhui	19	2	15	2	0	No
Liu Zhengdong	10	2	8	0	0	No
Wilton Chi Wan Chau	10	2	8	0	0	No
Li Shijie	9	2	7	0	0	No
Kwong Chi Kit, Victor	9	1	7	1	0	No

Attendance of independent Directors at general meetings 3 meetings

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

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

### IV. CORPORATE GOVERNANCE REPORT

#### 1. Corporate Governance Practice

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

## Corporate Governance *(continued)*

### IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

#### 1. Corporate Governance Practice *(Continued)*

The Company has adopted the code provisions set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has periodically reviewed its corporate governance practices. Save as set out below, the Company has properly complied with the Corporate Governance Code.

- (1) In accordance with the provision A.1.8 set out in Appendix 14 to the Hong Kong Listing Rules, “an issuer should arrange appropriate insurance cover in respect of legal action against its directors.”

In 2014, the Company did not make any insurance arrangement in respect of the Directors.

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 other regulations, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system, and endeavoured to reduce the legal risks for Directors. Therefore, no insurance arrangement was made in respect of the Directors.

- (2) Pursuant to the provision E.1.2 set out in Appendix 14 to the Hong Kong Listing Rules, “the chairman of the board should attend the annual general meeting.” In 2014, the Chairman of the Board did not attend the annual general meeting of the Company in person due to other business commitment, but he has entrusted the vice Chairman of the Company to attend and preside over the annual general meeting on his behalf.

## Corporate Governance *(continued)*

### IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

#### 2. Securities Transactions of the Directors

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

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

#### 3. Independent Non-executive Directors

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

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



## Corporate Governance (continued)

### IV. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### 4. The Board and its Special Committees

##### (1) Composition of the Board

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

The Board of the Company establishes four special committees, which are all comprised of Directors. In particular, the majority of the members of the Audit Committee, Nomination Committee, Remuneration and Appraisal Committee are independent non-executive Directors who are also the conveners. There is at least one independent non-executive Director in the Audit Committee who possesses professional qualifications in accounting. Each of the special committees is accountable for the Board and submits proposals to the Board for consideration and approval. Members of the Board of the Company and their attendance at the meetings in 2014 are as follows:

Name	Position in the Board	Attendance to the Board meetings (attendance by proxy)/ attendance rate	Attendance to the general meetings / attendance rate
Zhang Xiaogang	Chairman	19(0) / 100%	0%
Tang Fuping	Vice Chairman	19(0) / 100%	0%
Yang Hua	Vice Chairman	19(0) / 100%	100%
Wang Yidong	Executive Director	19(0) / 100%	0%
Ma Lianyong	Executive Director	19(0) / 100%	67%
Chen Fangzheng	Independent non-executive Director	19(0) / 100%	100%
Qu Xuanhui	Independent non-executive Director	19(2) / 89%	67%
Liu Zhengdong	Independent non-executive Director	10(0) / 100%	0%
Chau Chi Wai, Wilton	Independent non-executive Director	10(0) / 100%	0%
Li Shijun	Former independent non-executive Director	9(0) / 100%	100%
Kwong Chi Kit, Victorn	Former independent non-executive Director	9(1) / 89%	0%

Note: Attendance rates of Directors in the above table exclude attendance by proxy.

# Corporate Governance *(continued)*

## IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

#### (2) Duties and Operation of the Board

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

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

# Corporate Governance *(continued)*

## IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

#### (2) Duties and Operation of the Board *(Continued)*

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

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

The Board convenes meetings on a regular basis, generally not less than 4 times a year, and holds extraordinary meetings when necessary. Board meetings may be convened by means of on-site conference or written resolutions. All Directors maintain communication with the secretary to the Board so as to ensure the compliance with Board procedures and all applicable rules. Communication and reporting mechanism has been established between the Board, Directors and senior management.

At Board meetings, Directors can put forward their opinions freely, and major decisions are made after detailed discussions. If any Director has material interests in a proposal to be reviewed by the Board, the Director concerned must abstain from discussion and voting on the relevant proposal, and is not counted in the quorum of the relevant proposal.

In 2014, the Board of the Company held a total of 19 Board meetings.

#### (3) Remuneration and Appraisal Committee

In 2014, the members of the Remuneration and Appraisal Committee of the Company and their attendance to meetings are as follows:

<b>Name</b>	<b>Position in the Committee</b>	<b>Attendance to meetings</b>
Chau Chi Wai, Wilton	convener	—
Yang Hua	member	100%
Chen Fangzheng	member	100%
Qu Xuanhui	member	100%
Liu Zhengdong	member	—
Kwong Chi Kit, Victorn	former convener	100%
Li Shijun	former member	100%

# Corporate Governance *(continued)*

## IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

#### (3) Remuneration and Appraisal Committee *(Continued)*

Main duties of the Remuneration and Appraisal Committee are:

- (a) make recommendation to the Board on the Company's policy and structure for all remuneration of Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) determine, with delegated responsibility, the specific remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make consultation with and recommendations to the Chairman and/or Chief Executive Office on the remuneration of non-executive Directors;
- (d) make recommendations to the Board on the remuneration of non-executive Directors;
- (e) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company;
- (f) review and approve the compensation payable to executive Directors and senior management for any loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with relevant contractual terms and are otherwise reasonable and appropriate; and
- (h) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

## Corporate Governance *(continued)*

### IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

##### (3) Remuneration and Appraisal Committee *(Continued)*

In 2014, the Remuneration and Appraisal Committee of the Company held 1 meeting which mainly assessed the performance of the Directors and senior management personnel of the Company during 2013 and reviewed their remunerations for 2013, and submitted the same to the Board for consideration.

##### (4) Nomination Committee

In 2013, the members of the Nomination Committee of the Company and their attendance are as follows:

<b>Name</b>	<b>Position in the Committee</b>	<b>Attendance to meetings</b>
Liu Zhengdong	convener	100%
Zhang Xiaogang	member	100%
Chen Fangzheng	member	100%
Qu Xuanhui	member	100%
Chau Chi Wai, Wilton	member	100%
Li Shijun	former convener	100%
Kwong Chi Kit, Victorn	former member	100%

Main duties of the Nomination Committee are:

- (a) to review the structure, size, composition of the Board (including skills, knowledge, experience and other aspects) at least annually and make recommendations with respect to the changes to be made to the Board in order to coordinate with the Company's corporate strategy;
- (b) to identify individuals appropriately qualified to serve as Directors and to select or make recommendation to the Board on the selection of individuals nominated for directorship;
- (c) to assess the independence of independent non-executive Director; and
- (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular, the Chairman and the General Manager.

# Corporate Governance *(continued)*

## IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

#### (4) Nomination Committee *(Continued)*

In 2014, the Nomination Committee of the Company held two meetings to nominate the executive Directors, independent non-executive Directors, deputy general manager and other personnel of the Company in accordance with the qualification requirements and relevant requirement of regulations and the Articles of Association.

#### (5) Audit Committee

In 2014, the members of the Audit Committee of the Company and their attendance are as follows:

<b>Name</b>	<b>Position in the Committee</b>	<b>Attendance to meetings</b>
Chau Chi Wai, Wilton	convener	100%
Chen Fangzheng	member	100%
Qu Xuanhui	member	100%
Liu Zhengdong	member	100%
Li Shijun	former member	100%
Kwong Chi Kit, Victorn	former convener	100%

Main duties of the Audit Committee are:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

# Corporate Governance *(continued)*

## IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

#### (5) Audit Committee *(Continued)*

- (d) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the committee should focus particularly on:
  - i. any changes in accounting policies and practices;
  - ii. major judgmental areas;
  - iii. significant adjustments resulting from audit;
  - iv. the going concern assumptions and any qualifications;
  - v. compliance with accounting standards; and
  - vi. compliance with the Listing Rules and legal requirements in relation to financial reporting.
- (e) Regarding (d) above:
  - i. members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors; and
  - ii. the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

# Corporate Governance *(continued)*

## IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

- (5) Audit Committee *(Continued)*
  - (h) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
  - (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
  - (j) to review the Company's financial and accounting policies and practices;
  - (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
  - (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - (m) to report to the Board on the matters in respect of the terms of reference;
  - (n) to consider other topics, as defined by the Board;
  - (o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
  - (p) to act as the key representative body for overseeing the Company's relations with the external auditor.



## Corporate Governance *(continued)*

### IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

##### (5) Audit Committee *(Continued)*

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

In 2014, the Audit Committee of the Company held a total of four meetings. During the meetings, the Audit Committee mainly reviewed the quarterly, interim and annual financial statements of the Company and financial information set out in the quarterly, interim and annual reports of the Company, reviewed the internal control system of the Company, and made recommendations in relation to the engagement of external auditor.

The Audit Committee and the management of the Company have jointly examined the Company's accounting policy and have discussed on the issues in relation to the auditing, internal control and financial statements of the Company, including a review of the audited financial statements for the year ended 31 December 2014.

# Corporate Governance *(continued)*

## IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

#### (5) Audit Committee *(Continued)*

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

##### i. Opinions after reviewing the Financial Report for 2014

The Company's financial report for 2014 was prepared based on the requirements of the PRC ASBE; expenditures were reasonable; revenues, expenses and profits were recognized truly and accurately; relevant provisions were made as specified by the laws, regulations and relevant systems, reflecting the Company's financial positions, operating results and cash flow in a true, accurate and complete manner; it was approved to be submitted to the Board of the Company for consideration.

##### ii. Opinions on the Audit Work by Accountants for 2014

Ruihua Certified Public Accountants (Special General Partnership) performed their duties during the auditing of the Company's financial statements for 2014 in accordance with relevant laws and regulations of the PRC and Hong Kong and in compliance with professional ethics of accountants, and expressed their opinion on the Company's accounting statements objectively and fairly, enabling the Company to satisfy the requirements from the domestic and overseas regulatory institutions.

##### iii. Opinions on the Appointment of Ruihua Certified Public Accountants (Special General Partnership) as auditor of the Company for 2015

The Board has proposed to reappoint Ruihua Certified Public Accountants (Special General Partnership) as the auditor of the Company for 2015 for a term from the close of the 2014 annual general meeting to the time of convening of the annual general meeting for 2015.

## IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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

#### (6) Training for Directors

In order to help Directors better their performance of the duties and responsibilities, the Company arranged training on the Hong Kong Listing Rules, laws and regulations, Director's responsibilities and other issues for the current Directors, namely: Zhang Xiaogang, Tang Fuping, Yang Hua, Wang Yidong, Ma Lianyong, Chen Fangzheng, Qu Xuanhui, Liu Zhengdong, Chau Chi Wai, Wilton.

### 5. Chairman and General Manager

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

Duties of the Chairman:

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

# Corporate Governance *(continued)*

## IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

### 5. Chairman and General Manager *(Continued)*

Duties of the General Manager:

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

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

## Corporate Governance *(continued)*

### IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

#### 6. Rights of Shareholders

Pursuant to Article 76 of the Articles of Association of the Company, any shareholder(s) individually or aggregately holding more than 10% of the shares of the Company shall be entitled to request in writing to the Board to convene an extraordinary general meeting. The Board shall reply, in writing, within 10 days upon receipt of such proposal, whether or not it consents to the convening of extraordinary general meeting in accordance with the provisions of the laws, administrative regulations and the Articles of Association of the Company. The Board shall give the notice convening an extraordinary general meeting within 5 days after it has passed the relevant resolution. Any change made to the original request in the notice shall be subject to the consent of such shareholder(s). If the Board does not consent to convene such an extraordinary general meeting or does not reply within 10 days upon receipt of such request, such shareholder(s) individually or aggregately more than 10% of the shares of the Company shall be entitled to request in writing to the Supervisory Committee to convene such an extraordinary general meeting.

Further, pursuant to Article 82 of the Articles of Association of the Company, the Board, Supervisory Committee and shareholders that, either individually or jointly, holding over 3% of the shares of the Company have the right to make proposals to the Company for shareholders' general meetings. The contents of such proposals shall be within the scope of the shareholders' general meeting and such proposals shall have clear and specific topics to be resolved and comply with the relevant provisions of the laws, administrative regulations and the Articles of Association. In addition, shareholders that, either individually or jointly, holding over 3% of the shares of the Company have the right to submit temporary proposals to the convener of the shareholders' general meeting in writing at least 10 days prior to such meetings. The convener of the meeting shall give a supplementary notice of the shareholders' general meeting within 2 days after receiving such proposals and announce the contents of the temporary proposals.

The Articles of Association sets out the rights of the shareholders, including those mentioned above. The Company has taken all necessary steps to comply with all provisions of the relevant laws, regulations, the Hong Kong Listing Rules, and the Listing Rules of the Shenzhen Stock Exchange to ensure the protection of shareholders' rights.

Shareholders are welcome to send their written enquiries to the Company's Office of Secretary of the Board at Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC. Alternatively, shareholders may also contact us through our Investor Relations Hotline +86-412-841 6578, facsimile +86-412-841 672 7772, or e-mail at [ansteel@ansteel.com.cn](mailto:ansteel@ansteel.com.cn), or raise your enquiries directly at a the annual general meeting.

## Corporate Governance *(continued)*

### IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

#### 7. Change in Articles of Association

In order to conform to the transition and upgrade of the Company, satisfy its needs for long-term development and create more benefits for the Company, in 2014, the Board added “the sales of coal, iron ore, waste steel, production and sales of pellet, production, medical oxygen (liquid) and sales of water for domestic and industrial use, deep processing of steel products and lease of self-owned properties” to its existing scope of business, and amended Article 12 of the Articles of Association accordingly.

The amended Article 12 is as follows:

As registered in accordance with the laws, the business scope of the Company is as follows:

Primary business: ferrous metal metallurgy and steel rolling and processing.

Secondary business: coking and production and sales of coked products and by-products; production and sales of by-products of steel-rolling; the sales of coal, iron ore, waste steel; production and sales of pellet; electricity supply and distribution; production and sales of water for domestic and industrial use; production and sales of chemical fertilizer, industrial gas, medical oxygen (liquid) and commonly used spare parts; measuring appliances, meter examination; deep processing of steel products; metallurgical raw and fuel materials, ferroalloy processing; wholesale and retail (excluding licensed products) and commission agent (excluding auctioned products) of metallic materials; warehousing, technical consultancy, development, transfer and other services; standard materials and small machinery research and development, physical and chemical performance testing, inspection sample processing, maintenance of equipment for chemical inspection, freight forwarding agency services and loading and unloading services; lease of self-owned properties.

Subject to the provisions of applicable laws in the PRC, the Company is entitled to raise or borrow money including, but without limitation, by the issue of bonds, and to mortgage or charge its undertaking or property or any part thereof, and to provide guarantees or give security for the obligations of any third party (including, without limitation, the Company’s subsidiaries or associated companies). But the action at a time shall be approved by the board of directors (or, in accordance with the requirements of laws and regulations, approved by shareholders’ general meeting).

## Corporate Governance *(continued)*

### IV. CORPORATE GOVERNANCE REPORT *(CONTINUED)*

#### 8. Corporate Governance Responsibilities

The Board is responsible for performing the functions as set out in code provision D.3.1 of the Corporate Governance Code to ensure that the Company has established comprehensive corporate governance practices and procedures. During the Reporting Period, the Board has:

- (1) established and reviewed the corporate governance policies and practices of the Company as well as made relevant recommendations;
- (2) reviewed and monitored the training and continuous development of the Directors and senior management;
- (3) reviewed and monitored the policies and practices of the Company regarding the compliance of relevant legal and regulatory requirements;
- (4) established, reviewed and monitored the code of conduct for Directors and employees; and
- (5) reviewed as to whether the Company has complied with the Corporate Governance Code and made disclosures in the Corporate Governance Report.

#### 9. Remuneration of auditor

The Company paid Ruihua Certified Public Accountants (Special General Partnership) as the external auditor of the Company RMB4.6 million for auditing service, in particular, RMB3.72 million for the auditing of annual financial report and RMB0.88 million for the auditing of internal control for the year ended 31 December 2014.

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

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

## Corporate Governance (continued)

### VI. COMPETITION WITH PEERS IN THE INDUSTRY

Document Fa Gai Gong Ye [2005] No. 2024 issued by the National Development and Reform Commission in 2005 approved the construction of Chaoyang 2,000,000t steel and iron project (i.e. Angang Group Chaoyang Iron and Steel Co., Ltd., “Angang Chaoyang Steel”) by Anben Iron and Steel Group (鞍本鋼鐵集團). In March 2007, the Company received a Solicitation Letter Concerning the Investment on Chaoyang Steel Project (《關於投資朝陽鋼鐵項目的徵詢意見函》) from Angang Holding, asking about the Company’s plan on whether to invest in the project or not. Since the Company was then investing in the construction of Bayuquan Steel Project, the Board resolved upon deliberation that the Company not make investment in the project, instead, Angang Group Company will contribute to the construction of the project. At the same time, Angang Group Company undertook to transfer all the equity held by it to the Company at a reasonable price in priority basis when the Company proposed acquisition requirements.

The Company currently has no plan to acquire Angang Chaoyang Steel.

For relevant information of Angang Group Chaoyang Steel and Iron Co., Ltd. please refer to the announcement on the resolution of the eighth meeting of the fourth session of the Board of the Company published on China Securities Journal, the Securities Times and CNINF on 27 March 2007.

### VII. APPRAISAL AND INCENTIVE MECHANISM FOR THE SENIOR MANAGEMENT

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



# Internal Control

## I. DEVELOPMENT OF INTERNAL CONTROL

According to the requirements of the Basic Standards for Internal Control of Companies (《企業內部控制基本規範》) and the corresponding guidance and other regulatory requirements concerning the internal control (“Enterprise Internal Control Regulated Systems”), and considering internal control system and evaluation methods of the Company and based on the day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2014 (the reference date of the Internal Control Assessment Report).

According to the identification criteria of material deficiency of internal control in the financial reporting of the Company, as at the basis date of internal control evaluation report, there was no material deficiency of internal control in the financial reporting of the Company. The Board is of the view that the Company has maintained efficient internal control in the financial report in all material respects in accordance with requirements of corporate internal control standard system and relevant regulations.

According to the identification of material deficiency of internal control in the non-financial reporting of the Company, as at the basis date of internal control evaluation report, material deficiency of internal control in non-financial reporting did not exist.

There was no factor affecting conclusion to the evaluation of efficiency of internal control from the basis date of internal control evaluation report to its issue date.

The Board of the Company is aware of the fact that internal control shall be complementary to, among others, the operating scale, business scope, competitiveness and risk level of the Company and shall be adjusted timely in line with the changing conditions. In 2015, through pressing ahead with continuous optimization of the internal control system, regulating the implementation thereof, and strengthening supervision and inspection on internal control, the Company will be poised for a healthy and sustainable development.

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

According to the requirements of Enterprise Internal Control Regulated Systems, the Board of the Company shall commit itself to establishing a comprehensive and effective internal control system, assess its effectiveness and disclose the Internal Control Assessment Report honestly; the Supervisory Committee shall supervise the performance of the Board in respect the establishment and implementation of internal control, and the managers shall organize and be in charge of the daily operation of the corporate internal control. The Board, the Supervisory Committee and Directors, Supervisors and senior management personnel of the Company confirm that there is no false or misleading statements in or material omissions from this report, and severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of the information contained herein.

## Internal Control *(continued)*

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

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

### IV. EVALUATION REPORT ON INTERNAL CONTROL

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

None

Date of disclosure of full text of  
the evaluation report on internal control

31 March 2015

Reference of disclosure of full text of  
the evaluation report on internal control

China Securities Journal, the Securities Times  
and on CNINF <http://www.cninfo.com.cn>

### V. AUDIT REPORT ON INTERNAL CONTROL

#### Opinion on the review of the audit report on internal control

Ruihua Certified Public Accountants (Special General Partnership) has audited the internal control of the financial report of the Company in respect of its effectiveness, and is of the opinion that Angang Steel Company Limited maintained effective internal control on the financial report in all material aspects in accordance with the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》) and the relevant regulations as of 31 December 2014.

Date of disclosure of full text of the audit report on internal control	31 March 2015
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Reference of disclosure of full text of the audit report on internal control	China Securities Journal, the Securities Times and on CNINF <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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The opinion of the audit report on internal control issued by accounting firm is consistent with that of the self-evaluation report of the Board.

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

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

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

# Annual General Meeting

The annual general meeting of the Company for the year of 2014 will be held on Wednesday, 3 June 2015. A notice to convene the annual general meeting of the Company for 2014 will be published and delivered to H shareholders of the Company as required by the Hong Kong Listing Rules.



通讯地址：北京市东城区永定门西滨河路8号院7号楼中海地产广场西塔5-11层

Postal Address: 5-11/F, West Tower of China Overseas Property Plaza, Building 7, NO.8, Yongdingmen Xibinhe Road, Dongcheng District, Beijing

邮政编码(Post Code)：100077

电话(Tel)：+86 (10) 88095588 传真(Fax)：+86 (10) 88091199

RuiHua Audit [2015] No. 01490010

## TO ALL THE SHAREHOLDERS OF ANGANG STEEL COMPANY LIMITED:

We have audited the accompanying financial statements of Angang Steel Company Limited (hereinafter the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company's statements of change in shareholders' equity and the notes to the financial statements in 2014.

### I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### II. AUDITOR'S RESPONSIBILITY

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

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

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

## Audit Report *(continued)*

### III. OPINION

In our opinion, the financial statements present fairly, in all material respects, on the consolidated financial position of Angang Steel Company Limited as at 31 December 2014, and its consolidated financial performance and consolidated cash flows of Angang Steel Company Limited for the years ended 31 December 2014, the financial position of Angang Steel Company Limited and the financial performance and cash flows of Angang Steel Company Limited for the year 2014 in accordance with Accounting Standards for Business Enterprises.

RuiHua Certified Public Accountants  
(Special General Partnership)

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

**Cao Bin**

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

**Li Zhushan**

Beijing, China  
30 March 2015

## Consolidated Balance Sheet

Items	Notes	31 December 2014	31 December 2013
<b>Current assets:</b>			
Cash at bank and on hand	6(1)	1,712	1,126
Financial assets at fair value through profit or loss			
Notes receivable	6(2)	8,607	10,623
Accounts receivable	6(3)	1,835	2,134
Prepayments	6(5)	3,587	3,042
Dividends receivable			
Other receivables	6(4)	18	18
Inventories	6(6)	10,865	12,356
Non-current assets due within 1 year			
Other current assets			
<b>Total current assets</b>		<b>26,624</b>	29,299
<b>Non-current assets:</b>			
Available-for-sale financial assets	6(7)	869	750
Long-term equity investments	6(8)	3,135	2,434
Investment properties			
Fixed assets	6(9)	46,122	45,452
Construction in progress	6(10)	5,933	5,756
Construction material	6(11)	38	26
Intangible assets	6(12)	6,234	6,147
Long-term deferred expenses			
Deferred income tax assets	6(13)	2,336	3,001
Other non-current assets			
<b>Total non-current assets</b>		<b>64,667</b>	63,566
<b>Total assets</b>		<b>91,291</b>	92,865

Legal Representative:  
Zhang Xiaogang

Chief Accountant:  
Ma Lianyong

Comptroller:  
Che Chengwei

# Consolidated Balance Sheet (continued)

As at 31 December 2014  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million

Items	Notes	31 December 2014	31 December 2013
<b>Current liabilities:</b>			
Short-term loans	6(14)	14,672	9,241
Notes payable	6(15)	356	47
Accounts payable	6(16)	8,289	15,343
Advances from customers	6(17)	3,332	4,031
Employee benefits payable	6(18)	228	281
Tax and surcharges payable	6(19)	76	(550)
Interests payables	6(20)	203	196
Other payables	6(21)	1,894	1,944
Non-current liabilities due within 1 year	6(22)	1,701	1,271
Other current liabilities	6(23)	6,000	6,000
<b>Total current liabilities</b>		<b>36,751</b>	37,804
<b>Non-current liabilities:</b>			
Long-term loans	6(24)	1,371	3,044
Bonds payable	6(25)	3,983	3,971
Long-term employee benefits payable	6(26)	1	3
Deferred income	6(27)	969	933
Deferred income tax liabilities	6(13)	20	20
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>6,344</b>	7,971
<b>Total liabilities</b>		<b>43,095</b>	45,775
<b>Shareholders' equity:</b>			
Share capital	6(28)	7,235	7,235
Capital reserve	6(29)	31,154	31,155
Other comprehensive income	6(30)	7	(19)
Special reserve	6(31)	30	21
Surplus reserve	6(32)	3,580	3,580
Undistributed profit	6(33)	5,787	5,054
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		47,793	47,026
Minority interests		403	64
<b>Total shareholders' equity</b>		<b>48,196</b>	47,090
<b>Total liabilities and shareholders' equity</b>		<b>91,291</b>	92,865

Legal Representative:  
**Zhang Xiaogang**

Chief Accountant:  
**Ma Lianyong**

Comptroller:  
**Che Chengwei**

The notes on pages 125 to 248 are integral parts of these financial statements.



## Consolidated Income Statement

Items	Notes	2014	2013
<b>1. Operating income</b>		<b>74,046</b>	75,329
Including :operating income	6(34)	<b>74,046</b>	75,329
<b>2. Operating costs</b>		<b>73,154</b>	75,220
Including: Operating costs	6(34)	<b>65,490</b>	66,929
Business tax and surcharges	6(35)	<b>213</b>	194
Marketing expenses	6(36)	<b>2,218</b>	1,743
Administrative expenses	6(37)	<b>1,850</b>	3,270
Financial expenses	6(38)	<b>1,272</b>	1,218
Impairment losses on assets	6(40)	<b>2,111</b>	1,866
Add: Gains/losses from fair value variation			
Investment income	6(39)	<b>673</b>	555
Including: Income from investment in jointly ventures and associates		<b>587</b>	533
<b>3. Operating profit</b>		<b>1,565</b>	664
Add: Non-operating income	6(41)	<b>161</b>	158
Less: Non-operating expenses	6(42)	<b>147</b>	94
Including: Losses on non-current assets disposal		<b>137</b>	89
<b>4. Profit before income tax</b>		<b>1,579</b>	728
Less: Income tax expenses	6(43)	<b>655</b>	(27)
<b>5. Net profit for the period</b>		<b>924</b>	755
The net profit belongs to the owners of the company		<b>928</b>	770
Minority interest income		<b>(4)</b>	(15)
<b>6. The net amount after tax of other comprehensive income</b>	6(30)	<b>26</b>	(34)
(1) The other comprehensive income which can not be reclassified into profit or loss			
a. The changes of the net assets or liabilities of the remeasurement of benefits plan			
b. The shares of the other comprehensive income which can not be reclassified in profit or loss of the invested company in equity method			

# Consolidated Income Statement (continued)

For the year ended 31 December 2014  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million

Items	Notes	2014	2013
<b>6. The net amount after tax of other comprehensive income (Continued)</b>			
(2) The other comprehensive income which can be classified into profit or loss	6(30)	<b>26</b>	(34)
a. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method	6(30)	<b>(4)</b>	
b. The profit or loss from the change at fair value of available-for-sale financial assets	6(30)	<b>30</b>	(34)
c. The profit or loss of available-for-sale financial assets from the reclassification of held-for-sale investment			
d. The effective portion of profit or loss from cash flows hedges			
e. The differences converted in foreign currency of financial statements			
f. Others			
<b>7. Earnings per share</b>			
(1) Basic earnings per share (RMB/share)		<b>0.128</b>	0.106
(2) Diluted earnings per share (RMB/share)		<b>0.128</b>	0.106
<b>8. Total comprehensive income</b>			
The other comprehensive income belongs to the owners of the company		<b>950</b>	721
The other comprehensive income belongs to the owners of the company		<b>954</b>	736
The other comprehensive income belongs to the minority		<b>(4)</b>	(15)

The financial statements on pages 109 to 124 are signed by the following persons:

Legal Representative:  
**Zhang Xiaogang**

Chief Accountant:  
**Ma Lianyong**

Comptroller:  
**Che Chengwei**

The notes on pages 125 to 248 are integral parts of these financial statements.

## Consolidated Cash Flow Statement

Items	Notes	2014	2013
<b>1. Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		65,019	66,808
Refund of tax and fare		21	12
Other cash received from operating activities	6(45)	194	334
<b>Sub-total of cash inflows</b>		<b>65,234</b>	67,154
<hr/>			
Cash paid for goods and services		54,679	49,865
Cash paid to and for the employees		4,099	3,462
Cash paid for all types of taxes		1,190	1,662
Other cash paid for operating activities	6(45)	3,129	1,602
<b>Sub-total of cash outflows</b>		<b>63,097</b>	56,591
<hr/>			
<b>Net cash flow from operating activities</b>	6(46)	<b>2,137</b>	10,563
<hr/>			
<b>2. Cash flows from investing activities</b>			
Cash received from return of investments		541	408
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		4	28
Net cash received from disposal of subsidiaries and other operating units			
Other cash received from investment activities	6(45)	126	271
<b>Sub-total of cash inflows</b>		<b>671</b>	707
<hr/>			
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		4,416	2,948
Cash paid for acquisition of investments		680	118
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities	6(45)		231
<b>Sub-total of cash outflows</b>		<b>5,096</b>	3,297
<hr/>			
<b>Net cash flow from investing activities</b>		<b>(4,425)</b>	(2,590)

# Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2014  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million

Items	Notes	2014	2013
<b>3. Cash flows from financing activities</b>			
Cash received from absorbing investments		<b>343</b>	
Including: Cash received by subsidiary from minority shareholders		<b>343</b>	
Cash received from borrowings		<b>24,982</b>	27,924
Other cash received from financing activities			
<b>Sub-total of cash inflows</b>		<b>25,325</b>	27,924
Cash paid for settling of debts		<b>20,815</b>	36,436
Cash paid for distribution of dividends or profit and repayment of interests		<b>1,636</b>	1,458
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities			
<b>Sub-total of cash outflows</b>		<b>22,451</b>	37,894
<b>Net cash inflow from financing activities</b>		<b>2,874</b>	(9,970)
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
<b>5. Net increase in cash and cash equivalents</b>			
	6(46)	<b>586</b>	(1,997)
Add: Cash and cash equivalents brought forward	6(46)	<b>1,126</b>	3,123
<b>6. Cash and cash equivalents carried forward</b>	6(46)	<b>1,712</b>	1,126

The financial statements on pages 109 to 124 are signed by the following persons:

Legal Representative:  
**Zhang Xiaogang**

Chief Accountant:  
**Ma Lianyong**

Comptroller:  
**Che Chengwei**

The notes on pages 125 to 248 are integral parts of these financial statements.

As at 31 December 2014

Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million

## Consolidated Statement of Changes in Shareholders' Equity

Items	2014										Total of shareholders' equity
	Shareholders' equity attributable to shareholders of the parent company										
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Minority interests	
<b>1. Balance as at 31 December 2013</b>	7,235	31,155		(19)	21	3,580		5,054		64	47,090
Add: Changes of accounting policy											
Correction of prior year errors											
Others											
<b>2. Balance as at 1 January 2014</b>	7,235	31,155		(19)	21	3,580		5,054		64	47,090
<b>3. Increase/decrease in 2014</b>											
<b>("-" represents loss)</b>		(1)		26	9			733		339	1,106
(1) Total comprehensive income				26				928		(4)	950
(2) Capital introduced											
or withdrawn by owners										343	343
i. Capital introduced by owners										343	343
ii. Amount of shares-based payment recorded in owner's equity											
iii. Others											
(3) Profit distribution								(195)			(195)
i. Transfer to surplus reserve											
ii. Transfer to general risk reserve											
iii. Distribution to shareholders								(195)			(195)
iv. Others											
(4) 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											
(5) Special reserve					9						9
i. Extracts of this period					78						78
ii. Usage of this period					(69)						(69)
(6) Others		(1)									(1)
<b>4. Balance as at 31 December 2014</b>	7,235	31,154		7	30	3,580		5,787		403	48,196

The financial statements on pages 109 to 124 are signed by the following persons:

*Legal Representative:*  
**Zhang Xiaogang**

*Chief Accountant:*  
**Ma Lianyong**

*Comptroller:*  
**Che Chengwei**

The notes on pages 125 to 248 are integral parts of these financial statements.

# Consolidated Statement of Changes in Shareholders' Equity (continued)

As at 31 December 2014  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million

Items	2013										Total of shareholders' equity
	Shareholders' equity attributable to shareholders of the parent company										
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Minority interests	
<b>1. Balance as at 31 December 2012</b>	7,235	31,450		15	44	3,570		4,284		1,631	48,229
Add: Changes of accounting policy											
Correction of prior year errors											
Others		615				10		135		44	804
<b>2. Balance as at 1 January 2013</b>	7,235	32,065		15	44	3,580		4,419		1,675	49,033
<b>3. Increase/decrease in 2013</b>											
<b>("-" represents loss)</b>		(910)		(34)	(23)			635		(1,611)	(1,943)
(1) Total comprehensive income				(34)				770		(15)	721
(2) 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)
(3) Profit distribution								(135)			(135)
i. Transfer to surplus reserve											
ii. Transfer to general risk reserve											
iii. Distribution to shareholders											
iv. Others								(135)			(135)
(4) 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											
(5) Special reserve					(23)						(23)
i. Extracts of this period					66						66
ii. Usage of this period					(89)						(89)
(6) Others											
<b>4. Balance as at 31 December 2013</b>	7,235	31,155		(19)	21	3,580		5,054		64	47,090

The financial statements on pages 109 to 124 are signed by the following persons:

*Legal Representative:*  
**Zhang Xiaogang**

*Chief Accountant:*  
**Ma Lianyong**

*Comptroller:*  
**Che Chengwei**

The notes on pages 125 to 248 are integral parts of these financial statements.

## Balance Sheet

Items	Notes	31 December 2014	31 December 2013
<b>Current assets:</b>			
Cash at banks and on hand		<b>548</b>	873
Financial assets at fair value through profit or loss			
Notes receivable		<b>8,553</b>	10,578
Accounts receivable	16(1)	<b>3,122</b>	3,102
Prepayments		<b>3,108</b>	2,961
Interests receivable			
Dividends receivable			
Other receivables	16(2)	<b>17</b>	17
Inventories		<b>9,436</b>	11,112
Non-current assets due within 1 year			
Other current assets			
<b>Total current assets</b>		<b>24,784</b>	28,643
<b>Non-current assets:</b>			
Available-for-sale financial assets		<b>869</b>	750
Long-term equity investments	16(3)	<b>4,727</b>	3,021
Investment property			
Fixed assets		<b>45,983</b>	45,405
Construction in progress		<b>5,441</b>	5,436
Construction materials		<b>37</b>	25
Intangible assets		<b>5,862</b>	6,013
Long-term deferred expenses			
Deferred income tax assets		<b>2,286</b>	2,964
Other non-current assets			
<b>Total non-current assets</b>		<b>65,205</b>	63,614
<b>Total assets</b>		<b>89,989</b>	92,257

The financial statements on pages 109 to 124 are signed by the following persons:

*Legal Representative:*  
**Zhang Xiaogang**

*Chief Accountant:*  
**Ma Lianyong**

*Comptroller:*  
**Che Chengwei**

The notes on pages 125 to 248 are integral parts of these financial statements.

# Balance Sheet (continued)

As at 31 December 2014  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million

Items	Notes	31 December 2014	31 December 2013
<b>Current liabilities:</b>			
Short-term loans		14,322	9,241
Notes payable		339	
Accounts payable		8,024	15,328
Advances from customers		3,043	3,496
Employee benefits payable		228	281
Tax and surcharges payable		309	(356)
Interests payables		203	196
Other payables		1,855	1,931
Non-current liabilities due within 1 year		1,701	1,271
Other current liabilities		6,000	6,000
<b>Total current liabilities</b>		<b>36,024</b>	<b>37,388</b>
<b>Non-current liabilities:</b>			
Long-term loans		1,272	2,973
Bonds payable		3,983	3,971
Long-term employee benefits payable		1	3
Deferred income		755	780
Deferred income tax liabilities		20	20
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>6,031</b>	<b>7,747</b>
<b>Total liabilities</b>		<b>42,055</b>	<b>45,135</b>
<b>Shareholders' equity:</b>			
Share capital		7,235	7,235
Capital reserve		31,200	31,201
Other comprehensive income		7	(19)
Special reserve		30	21
Surplus reserves		3,570	3,570
Undistributed profits		5,892	5,114
<b>Total shareholders' equity</b>		<b>47,934</b>	<b>47,122</b>
<b>Total liabilities and shareholders' equity</b>		<b>89,989</b>	<b>92,257</b>

The financial statements on pages 109 to 124 are signed by the following persons:

Legal Representative:  
**Zhang Xiaogang**

Chief Accountant:  
**Ma Lianyong**

Comptroller:  
**Che Chengwei**

The notes on pages 125 to 248 are integral parts of these financial statements.



# Income Statement

Items	Notes	2014	2013
<b>1. Operating income</b>	16(4)	<b>73,768</b>	75,575
Less: Operating costs	16(4)	<b>65,234</b>	67,239
Business tax and surcharges		<b>211</b>	194
Marketing expenses		<b>2,177</b>	1,678
Administrative expenses		<b>1,817</b>	3,238
Financial expenses		<b>1,272</b>	1,207
Impairment losses on assets		<b>2,101</b>	1,789
Add: gains/losses from fair value variation			
Investment income	16(5)	<b>673</b>	(56)
Including: Income from investment in jointly ventures and associates		<b>587</b>	533
<b>2. Operating profit</b>		<b>1,629</b>	174
Add: Non-operating income		<b>159</b>	152
Less: Non-operating expenses		<b>147</b>	94
Including: Losses on non-current assets disposal		<b>137</b>	89
<b>3. Profit before income tax</b>		<b>1,641</b>	232
Less: Income tax expenses		<b>668</b>	
<b>4. Net profit for the period</b>		<b>973</b>	232
<b>5. The net amount after tax of other comprehensive income</b>			
(1) The other comprehensive income which can not be reclassified into profit or loss			
a. The changes of the net assets or liabilities of the remeasurement of benefits plan			
b. The shares of the other comprehensive income which can not be reclassified in profit or loss of the invested company in equity method			
		<b>26</b>	(34)

# Income Statement *(continued)*

For the year ended 31 December 2014  
 Prepared by: Angang Steel Company Limited  
 Monetary unit: RMB million

Items	Notes	2014	2013
<b>5. The net amount after tax of other comprehensive income <i>(Continued)</i></b>			
(2)	The other comprehensive income which can be classified into profit or loss	<b>26</b>	(34)
	a. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method	<b>(4)</b>	
	b. The profit or loss from the change of the fair value of available-for-sale financial assets	<b>30</b>	(34)
	c. The profit or loss of available-for-sale financial assets from the reclassification of held-for-sale investment		
	d. The effective portion of profit or loss from cash flows hedges		
	e. The differences converted in foreign currency of financial statements		
	f. Others		
<b>6. Total comprehensive income</b>		<b>999</b>	198

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*Comptroller:*  
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## Cash Flow Statement

Items	Notes	2014	2013
<b>1. Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		<b>64,663</b>	66,391
Refund of tax and fare		<b>19</b>	12
Other cash received from operating activities		<b>114</b>	323
<b>Sub-total of cash inflows</b>		<b>64,796</b>	66,726
Cash paid for goods and services		<b>54,431</b>	50,243
Cash paid to and for employees		<b>4,057</b>	3,426
Cash paid for all types of taxes		<b>1,161</b>	1,630
Other cash paid for operating activities		<b>3,060</b>	1,556
<b>Sub-total of cash outflows</b>		<b>62,709</b>	56,855
<b>Net cash flow from operating activities</b>		<b>2,087</b>	9,871
<b>2. Cash flows from investing activities</b>			
Cash received from return of investments			1,367
Cash received from investment income		<b>541</b>	408
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		<b>4</b>	28
Other cash received from investment activities		<b>121</b>	262
<b>Sub-total of cash inflows</b>		<b>666</b>	2,065
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		<b>3,551</b>	2,740
Cash paid for acquisition of investments		<b>1,684</b>	281
Other cash paid for investment activities			
<b>Sub-total of cash outflows</b>		<b>5,235</b>	3,021
<b>Net cash flow from investing activities</b>		<b>(4,569)</b>	(956)

# Cash Flow Statement (continued)

For the year ended 31 December 2014  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million

Items	Notes	2014	2013
<b>3. Cash flows from financing activities</b>			
Cash received from absorbing investments			
Cash received from borrowings		<b>24,602</b>	27,583
Other cash received from financing activities			
<b>Sub-total of cash inflows</b>		<b>24,602</b>	27,583
Cash paid for settling of debts		<b>20,813</b>	35,821
Cash paid for distribution of dividends or profit and repayment of interests		<b>1,632</b>	1,424
Other cash paid for financing activities			
<b>Sub-total of cash outflows</b>		<b>22,445</b>	37,245
<b>Net cash inflow from financing activities</b>		<b>2,157</b>	(9,662)
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
<b>5. Net increase in cash and cash equivalents</b>		<b>(325)</b>	(747)
Add: Cash and cash equivalents brought forward		<b>873</b>	1,620
<b>6. Cash and cash equivalents carried forward</b>		<b>548</b>	873

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Comptroller:  
**Che Chengwei**

The notes on pages 125 to 248 are integral parts of these financial statements.

## Statement of Changes in Shareholders' Equity

Items	2014								
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total of shareholders' equity
1. Balance as at 31 December 2013	7,235	31,201		(19)	21	3,570		5,114	47,122
Add: Changes of accounting policy									
Correction of prior year errors									
Others									
2. Balance as at 1 January 2014	7,235	31,201		(19)	21	3,570		5,114	47,122
3. Increase/decrease in 2014 ("-" represents loss)		(1)		26	9			778	812
(1) Total comprehensive income				26				973	999
(2) Capital introduced or withdrawn by owners									
i. Capital introduced by owners									
ii. Amount of shares-based payment recorded in owner's equity									
iii. Others									
(3) Profit distribution								(195)	(195)
i. Transfer to surplus reserve									
ii. Transfer to general risk reserve									
iii. Distribution to shareholders								(195)	(195)
iv. Others									
(4) 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									
(5) Special reserve					9				9
i. Extracts of this period					78				78
ii. Usage of this period					(69)				(69)
(6) Others		(1)							(1)
4. Balance as at 31 December 2014	7,235	31,200		7	30	3,570		5,892	47,934

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# Statement of Changes in Shareholders' Equity (continued)

As at 31 December 2014  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million

Items	2013								
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total of shareholders' equity
<b>1. Balance as at 31 December 2012</b>	7,235	31,450		15	44	3,570		4,892	47,206
Add: Changes of accounting policy									
Correction of prior year errors									
Others		611						125	736
<b>2. Balance as at 1 January 2013</b>	7,235	32,061		15	44	3,570		5,017	47,942
<b>3. Increase/decrease in 2013</b>									
<b>("-" represents loss)</b>		(860)		(34)	(23)			97	(820)
(1) Total comprehensive income				(34)				232	198
(2) Capital introduced or withdrawn by owners		(860)							(860)
i. Capital introduced by owners									
ii. Amount of shares-based payment recorded in owner's equity									
iii. Others		(860)							(860)
(3) Profit distribution								(135)	(135)
i. Transfer to surplus reserve									
ii. Transfer to general risk reserve									
iii. Distribution to shareholders									
iv. Others								(135)	(135)
(4) 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									
(5) Special reserve					(23)				(23)
i. Extracts of this period					66				66
ii. Usage of this period					(89)				(89)
(6) Others									
<b>4. Balance as at 31 December 2013</b>	7,235	31,201		(19)	21	3,570		5,114	47,122

The financial statements on pages 109 to 124 are signed by the following persons:

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The notes on pages 125 to 248 are integral parts of these financial statements.

# Notes to the Financial Statements

## 1. COMPANY'S PROFILE

Angang Steel Company Limited (abbreviated as the "Company") was formally established on 8 May 1997 as a joint-stock limited company, currently the headquarter locates in Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, PRC.

The financial statements have been approved by the Board of Directors on 30 March 2015.

There are 18 subsidiaries within the scope of the consolidation, please refer to Note 8 "Interests in other entities". There are 3 new subsidiaries increase compared with last year, please refer to Note 7 "Changes in combination scope".

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

## 2. BASIC PREPARATION OF FINANCIAL STATEMENTS

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 41 specific standards of the Accounting Standards for Business Enterprises (abbreviated as "ASBE") (Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS") and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 — General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

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

### **3. STATEMENT ON COMPLIANCE WITH THE ENTERPRISE ACCOUNTING STANDARDS**

The Group declares that the Financial Report prepared by the Group is in compliance with requirements of Accounting Standards for Business Enterprise. These financial statements present truly, accurately and completely the financial position of the Group as on 31 December 2014, the financial performance and the cash flow of the Group for the year. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of "Regulation on disclosure of information of public listed companies, No. 15: General Requirements for Financial Reports" revised by the China Securities Regulatory Commission ("CSRC") in 2014.

### **4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

As for the statements of significant accounting judgments and estimates made by management, please refer to Note 4(26), "Significant accounting judgments and estimates."

#### **(1) Accounting period**

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

#### **(2) Operating cycle**

The normal operating cycle refers to the period from purchasing the assets for processing to realize the cash and cash equivalents. The operating cycle consists of 12 months which is the standard of the classification for the liquidity of the assets and liabilities.

#### **(3) Recording currency**

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



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

#### **(4) 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.

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

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

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

### (4) Accounting treatment of business combinations *(Continued)*

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

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

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

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

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

#### (5) 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 refers to the right to obtain the variable returns by the involvement with the investees, and has the ability to affect those returns through its power to direct the activities of the investees. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to the entities over which the Company has control power.

The Company shall reevaluate if there are changes of relevant elements of defined control due to the changes in the relevant facts and circumstances.

(b) Preparation of consolidated financial statements

The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases, which the control is over the net assets and the operating decision-makings. For the disposed subsidiary, financial performance and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; the opening balances of the consolidated balance sheet shall not be adjusted due to the disposal. For the subsidiary acquired from business combination not under common control, its financial performance and cash flows after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statement, and the opening balances of the consolidated financial statements and comparable data of prior year shall not be adjusted due to this combination. For the subsidiary acquired from business combinations under common control, its financial performance and cash flow from the beginning of the reporting period to combination date have been properly included in the consolidated income statement and consolidated cash flow statement, and the comparable data of the consolidated financial statement shall be adjusted simultaneously.

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

### (5) 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.

### (6) The classification of the joint venture arrangement and accounting treatment of joint operation.

The joint venture arrangement refers to the arrangement jointly controlled by two or more parties. According to the differences in the rights and responsibilities, the joint venture arrangement is classified as joint operation and joint venture. A joint operation refers to a joint arrangement whereby the parties have the rights to the assets, and obligations for the liabilities. Joint venture refers to the entity which is only entitled to the joint venture arrangement of the net assets.

The equity method is adopted for the investment of the joint venture, please refers to Note 12(b)(ii) "Long-term equity investments accounted by equity method."

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

#### **(6) The classification of the joint venture arrangement and accounting treatment of joint operation.** *(Continued)*

The Company as a joint operator, recognizes in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its expenses, including its share of any expenses incurred jointly.

When the Company transacts with a joint operation in which the Company is a joint operator, such as a sale or contribution assets, (The assets does not constitute as business, similarly hereinafter.) the profit or loss resulting from the transactions are recognized only to the extent of the other parties' interests in the joint operation before it resells those assets to a third party. A loss shall be recognized in full amount of the sale or contribution of assets, and of the purchase of the assets from the joint operation in accordance with "ASBE — No. 8 — Assets impairment" and other provisions. When the Company transacts with a joint operation in which the Company is a joint operator, such as a purchase of assets, the Company recognizes its share of the profit or loss.

#### **(7) Recognition standard for cash and cash equivalents**

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

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

### **(8) Foreign currency transactions and the translation of foreign currency financial statement**

(a) Foreign currency transactions

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

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

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

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

#### **(9) Financial instruments**

Financial assets and liabilities are recognized when the Group become one party in the financial instrument contract. 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 of the current period; for other financial assets, the transaction expenses thereof shall be included into the initially recognized amount.

(a) Fair value measurement of the financial assets and financial liabilities

The fair value refers to the amount, at which assets could be sold or liabilities could be transferred between parties in a well-organized trade on the measured date. 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)*

### (9) Financial instruments *(Continued)*

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

Conventionally traded financial assets shall be recognized and de-recognized on trade date. Financial assets shall be classified into four categories at initial recognition: financial assets at fair value through profit or loss, held to maturity investment, loans, receivables, and available-for-sale financial assets.

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

Including financial assets held for trading and those designated financial assets 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 make a profit in the short term. (3) Derivatives, except for 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.



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

#### (9) Financial instruments *(Continued)*

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

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

The financial assets meeting any of the following requirements shall be designated as measured at fair value through profit or loss. (1) The designation shall eliminate or significantly reduce the mismatch in the recognition or measurement of relevant profit or loss arising from the different basis of measurement of the financial assets or financial liabilities; (2) the official written documents on risk management or investment strategy of the Group show that the combination of said financial assets or said financial assets and financial liabilities will be managed and evaluated on the basis of fair value and be reported to the key management staff.

Financial assets at fair values through profit or loss shall be subsequently measured at their fair values, with the profit or loss from the movements 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 it is the Group's intention hold those investment to maturity.

Held-to-maturity investments shall be subsequently measured at amortized costs by adopting the effective interest rate method, the profit or loss arising from de-recognition, and impairment or amortization shall be incorporated into the current profit or loss.

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

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

### (9) Financial instruments *(Continued)*

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

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

To determine the effective interest rate, the future cash flows 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 receivables

Loans and receivables refer to the non-derivative financial assets with fixed or determinable payment that are not quoted in the dynamic market. The Group's financial assets are classified into loan and receivables including notes receivable, account receivables, interest receivable, dividends receivable and other receivables.

Loans and receivables shall be subsequently measured at amortized costs by effective interest rate method. The profit or loss arising from de-recognition, impairment or amortization shall be incorporated in the current profit or loss.

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

#### **(9) Financial instruments** *(Continued)*

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

(iv) Available-for-sale financial assets

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

The closing cost of the available-for-sale financial instrument is measured by amortized cost method, which is the amount deducted to the principle payment, added to or deducted to the accumulated amortization between the initially recognized date and the maturity date by effective interest method, and deducted to the impairment loss. The closing cost of the available-for-sale equity instrumental investment is the initial cost.

Available-for-sale financial assets shall be subsequently measured at fair value. The profit or loss arising from the changes in the fair value are recognized in other comprehensive income, and transferred in profit or loss when those financial assets are derecognized. Except that the impairment losses and the foreign exchange gain or loss arising from amortized cost of foreign monetary financial assets which shall be recognized in profit or loss. However, the cost shall be subsequently measured if there is no quoted price of the equity instrument investment in dynamic market, and its fair value can not be reliably measured, or the derivative financial assets which have to be settled by delivery related to the equity instrument.

The interests and the cash dividends declared by investees shall be recognized into the profit or loss as investment income.

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

### (9) Financial instruments *(Continued)*

#### (c) Impairment of financial assets

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

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

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

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

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

#### (9) Financial instruments *(Continued)*

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

##### (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.

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

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

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

### (9) Financial instruments *(Continued)*

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

A financial asset is derecognized when any of the below criteria is satisfied: (1) the contractual rights to receive the cash flows from the financial asset are terminated; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; (3) the financial asset has been transferred and the Group has given up upon the control of the financial asset, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of a financial asset.

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

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

If the partial transfer of a financial asset satisfies the conditions for de-recognition, the entire carrying value of the transferred financial asset shall be apportioned to the derecognized part and the retained part by fair value, and the difference between the carrying value of the transferred financial asset and the sum of consideration received and the accumulated variation in fair value previously recorded into other comprehensive income, shall be recorded into current profit and loss.

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

#### **(9) Financial instruments** *(Continued)*

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

The Group shall be ensured that almost all the risk and rewards of the ownership has been transferred when adopting recourse sales of the financial assets or to endorse the financial assets. The financial assets shall be derecognized when almost all the risk and rewards has been transferred to the transferee. It shall not be derecognized the financial assets if it retains almost all the risk and rewards. It should continue to determine whether the company retain the control of the assets and using the accounting method described in the preceding paragraph if it neither transfer nor retain almost all the risk and rewards.

(e) Classification and Measurement of financial liabilities

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

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

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

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

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

### (9) 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 profit or loss 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)*

#### **(10) Receivables**

Receivables include accounts receivable and other receivables, etc.

(a) Recognition standards for bad debts

On the balance sheet date, the carrying value of receivables shall be reviewed and impairment provision shall be made where there is any objective evidence demonstrates that impairment actually occurs. (i) serious financial difficulty occurs to the debtor; (ii) The debtor breaches any of the contractual terms (for example, failing to pay or delaying the payment of interests or the principal, etc.); (iii) The debtor will probably go bankruptcy or carry out other financial reorganizations; (iv) Other objective evidence indicating that such receivable has been impaired.

(b) Measurement bad debt provisions

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

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

(d) Reversal of bad debt provisions

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

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

### (11) 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.

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

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

(d) Physical inventory at fixed periods is taken under perpetual inventory system

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

#### (11) Inventories *(Continued)*

- (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.

#### (12) Long-term equity investment

The long-term equity investment refers to that the Company has control, joint control or significant influence on the long-term equity investment over the invested company. Otherwise it shall be measured as available-for-sale financial assets, please refer to Note 4.9 "Financial instruments".

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence refers to the right that the company can participate in the decision-making of the financial and operating policies over the invested company, but is not able to control or jointly control the policy formulation.

- (a) Determination of investment cost

For long-term equity investment formed by business combination under common control, the initial cost shall, on the date of acquisition of the final controller, be measured by the share of carrying value of the owner's equity of the acquired entity. The difference between the investment cost, and cash payment and transferred non-cash assets or liabilities on fair value shall be adjusted against the capital reserve. If the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings. For the insurance of the equity securities which is seen as consideration cost, the share of the carrying value is recognized as initial investment cost in the consolidated financial statement of the ultimate controlling party's owner's equity. The capital stock is the aggregate nominal amount of the outstanding ordinary shares. The difference between the initial investment cost and the aggregate nominal amount of the long-term equity investment, shall be adjusted against the capital reserve. If the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

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

### (12) Long-term equity investment *(Continued)*

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

For the long-term equity investment obtained by business combination not under common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control over the acquiree. The direct cost for the business combination incurred by the acquirer, including the expenses for audit, valuation, legal services and other administrative expenses, shall be recorded into the profit or loss for the current period.

For long-term equity investment other than those formed by business combination, the initial cost of other long-term equity investment shall be measured at the amount of actual cash paid, the fair value of the equity securities issued, the conventional value stipulated in the investment contract or agreement, the fair value or carrying value of the assets surrendered in the non-monetary assets exchange transaction, the fair value of the long-term equity investment itself, and etc. The initial cost consists of the expenses directly related to the acquisition of the long-term equity investment, taxes and other necessary expenses.

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

Long-term equity investments with joint control or significant influence over invested entities shall be accounted by equity method (except the co-operator). Besides, a long-term equity investment is measured in cost method if the Group is able to control the invested entity.

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

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

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

#### (12) 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

In the equity method, if the initial cost of a long-term equity investment exceeds the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, 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 or loss for the current year, and the cost of the long-term equity investment shall be adjusted simultaneously.

In the equity method, the investment income and other comprehensive income are recognized in accordance with the proportion of the net profit or loss and other comprehensive income of the invested entity attributable to the investor, and adjusting the carrying value of long-term equity investment; It shall be decreased of the carrying value of long-term equity investment according to the portion of the declaration of dividend or cash dividends; It shall adjust the carrying value of long-term equity investment and recognize in capital reserve if there is any other changes besides net profit or loss, other comprehensive income and profit distribution of the owner's equity. The invested entity's profit or loss shall be adjusted on the basis of the fair value of all identifiable assets of the invested entity at acquisition date and adjusted to comply with the accounting policies and accounting periods adopted by the investor. All inter-Group unrealized profits with the jointly ventures and associates attributable to the Group shall be eliminated to recognize the investment income. If there are differences of the accounting policies and accounting period between the Company and the invested company, the financial statements shall be adjusted according to the Company, and the investment income and other comprehensive income shall be recognized. However if the unrealized inter-Group loss constitutes impairment of the transferred assets, the losses shall not be adjusted.

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

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

### (12) Long-term equity investment *(Continued)*

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

(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.

(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(5)(b) "Preparation of consolidated financial statements" 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 or loss.

If the equity method is still adopted after the disposal of the rest equity, it shall adopt the same accounting policies as the invested company disposing the related assets and liabilities of the portion of other comprehensive income of the equity in the proceeds. For the other changes of the owner's equity except for the net income or losses, the other comprehensive income and profit distribution, originally recognized in the equity shall be transferred into profit or loss by the percentage disposed.

If the cost method still be adopted of remain equity when using cost method of long-term equity investment, the other comprehensive income measured in equity method, or financial instrument recognition and measurement, and when invested company disposing directly the related assets or liabilities; The changes other than net profit or losses, other comprehensive income and profit distribution in net assets, shall be transferred in current profits and losses by percentage.

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

##### (13) Fixed assets

(a) Recognition

Fixed assets plant and equipment 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. The fixed assets are recognized only when the economic interests is likely to flow into the company and its cost can be measured reliably. The fixed assets are initially measured only when considering the influence of the cost and the expected impact of the disposal expenses.

(b) Depreciation method of fixed assets

Fixed assets are initially recorded at cost and the estimated asset retirement obligation shall be taken into consideration. From the next month since fixed assets are in state of expected conditions for use, fixed assets are depreciated using the straight-line method over their estimated useful life. The useful life, scrap value rates for each category of fixed assets are as follows:

Category of fixed assets	Useful lives	Estimate residual rate (%)	Annual depreciation rate (%)
Plants and buildings	40 years	3-5	2.375-2.425
Machinery and equipment	12-19 years	3-5	5.00-8.083
Other fixed assets	5-10 years	3-5	9.50-19.40

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

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

Method of impairment test and measurement of impairment provision of fixed assets, please refer to Note 4(17) "Impairment of non-current assets".

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

### **(13) Fixed assets** *(Continued)*

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

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset which the ownership may or may not be eventually transferred, are classified as financial leases. 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.

### **(14) 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 4(17).



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

#### **(15) Borrowing costs**

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange gain or loss on foreign currency borrowings. The borrowing costs, directly attributable to the acquisition, construction or production of assets eligible for capitalization, shall be capitalized while the capital expenditure and borrowing cost has already occurred and the acquisition, construction or production activities necessary to satisfy intended use or get ready for sale have already started. Capitalization of borrowing costs shall be ceased while the qualified for capitalization asset under acquisition and construction or production is ready for its intended use or sale, and other borrowing costs shall be recognized into the current profit and loss while occurred.

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

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)*

### (16) Intangible assets

#### (a) Intangible assets

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

Intangible asset shall be initially measured at its cost. Subsequent expenditure relevant to an intangible asset shall be recorded into the cost of an intangible asset, if the economic benefits associated with the intangible assets are likely to flow into the Group and the cost can be reliably measured. Other expenditures except mentioned before for an intangible item shall be recorded into the profit or loss for the current period.

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

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

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

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

#### **(16) Intangible assets** *(Continued)*

(b) Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure on research phase and expenditure on development phase.

Research expenditure shall be recorded into current profits and losses while development expenditure is capitalized as intangible assets if the following conditions were met.

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

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

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

Impairment test and measurement of intangible assets refer to Note 4(17)“ Impairment of non-current assets”

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

### **(17) Impairment of 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. The intangible assets with indefinite useful life and those are not ready for intended use, shall be subject to impairment test every year.

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)*

#### **(18) Projected liabilities**

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.

#### **(19) 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.

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

### **(19) Revenue** *(Continued)*

(b) Revenue from services rendering

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

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

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

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

(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)*

#### **(20) Government grants**

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

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

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

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.

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

### (20) Government grants *(Continued)*

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.

### (21) 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)*

#### **(21) 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 on the balance sheet date, the carrying value of the deferred tax assets shall be written-down if future taxable income is not sufficient to compensate benefit from deferred income tax asset, and if sufficient, the written-down shall be reversed.

(c) Income tax expenses

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

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

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

### **(22) Leases**

Financial lease refers to a lease where in substance all the risks and rewards related to the ownership of an asset have been transferred, the ownership of which may or may not eventually be transferred. Operational lease refers to a lease other than a financial lease.

(a) Operational lease to a lessee

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

(b) Operational lease to a lessor

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

(c) Finance lease to a lessee

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

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

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

#### **(22) 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.

#### **(23) Employee benefits**

The employee benefits, including short-term employee benefits, post-employment benefits, terminal benefits and other long-term employee benefits.

Short-term employee benefits, including wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing fund, labor union funds, employee education fund and non-monetary benefits. The short-term employee benefits are recognized as liabilities when actually incurred of rendering services from the employees during the accounting period, and eventually recognized in current profit or loss or related assets cost. The non-monetary benefits are measured at fair value.

The post-employment benefits include making contribution plans. The plans include basic old-age insurance, unemployment insurance and annuities and etc. The amount shall be accrued to the relevant assets cost or profit or loss.

The Group shall recognize the termination benefits as a provision and report in profit or loss accordingly, when the Company is not able to withdraw the termination benefits unilaterally due to the relief of labor relationship or lay-off proposal, the terminal benefits are recognized as employee liabilities and recognized in profit or loss at the date which is earlier between recognizing and paying off the terminal benefits related to the recombination. However, the terminal benefits shall be recognized in long-term employee benefits method if the benefits can not be settled within 12 months after the reporting date.

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

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

### (24) Changes of significant accounting policies and estimates

- (a) The changes of accounting policies

The changes of accounting policies due to the implementation of the new ASBE.

Early in 2014, the Ministry of Finance, issued respectively, the "ASBE No. 39 – measured at fair value", "ASBE No. 30 – Presentation of Financial Statements (2014 Revision)", "ASBE No. 9 – Employee Benefits (2014 Revision)", "Enterprise Accounting Standards No. 33 – Consolidated Financial Statements (2014 Revision)", "ASBE No. 40 – the joint venture arrangement", "ASBE No. 2 – Long-term equity investments (2014 Revision)" and "ASBE No. 41 – the disclosure of equity in other entities", as accounting [2014] No. 6, 7, 8, 10, 11, 14 and 16, it requires to apply these standards in all the enterprises which adopts ASBE from 1 July 2014, and to encourage the overseas listed companies to adopt this standard in advance. Meanwhile, the Ministry of Finance issued the "ASBE No. 37 – Financial Instruments (2014 Revision)" (hereinafter referred to as "Financial Instrument Presentation Standards") as Accounting [2014] No. 23, it requires the disclosure of financial instruments in the financial reports since 2014, in accordance with the requirements of the standards of ASBE.

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

##### (24) Changes of significant accounting policies and estimates (Continued)

(a) The changes of accounting policies (Continued)

Pursuant to the resolution passed at the thirty-second meeting of the Sixth Session of the Board held by the Company on 30 March 2015, the Company started the implementation of the aforementioned seven newly released or revised accounting standards for business enterprises except for the Financial Instruments Presentation Standards on 1 July 2014 and will begin to implement the Financial Instruments Presentation Standards in the preparation of the 2014 financial report and make adjustments according to transitional requirements of each standards, resulting in the following impact on the items and amounts of the current and previous financial statements:

Name of standard	Explanation on changes in accounting policies and the impacts on the Company thereof	Amounts affected under underlying items of the financial statements as of 1 January 2014/2013	
		Name of items	Amounts affected Increase +/ Decrease -
"Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments (2014 Revision)" (《企業會計準則第2號 — 長期股權投資(2014年修訂)》)	Prior to the implementation of Accounting Standards for Business Enterprises No. 2– Long-term Equity Investments (2014 Revision)", the Company classified equity investments where there is no joint control or significant influence over investee, no quoted price in active market and the fair value of which cannot be measured reliably into long-term equity investment and measured at cost method. Upon the implementation of "Accounting Standards for Business Enterprises No. 2– Long-term Equity Investments (2014 Revision)", the Company classified equity investments where there is no joint control or significant influence over investee, no quoted price in active market and the fair value of which cannot be measured reliably into available-for-sale financial assets. The Company has applied retroactive adjustment method to accounting for the above changes in accounting policies.	Long-term equity investments	-694
		Available-for-sale financial assets	694
"Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements (2014 Revision)" (《企業會計準則第30號 — 財務報表列報(2014年修訂)》)	"Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements (2014 Revision)" classifies other comprehensive income into two classes: (1) other comprehensive income which cannot be reclassified to profit or loss in subsequent accounting periods, and (2) other comprehensive income to be reclassified to profit or loss upon satisfactions of specified conditions in subsequent accounting periods, and at the same time standardize the reporting of held-for-sale items. Changes in equity attributable to shareholders resulted from comprehensive income and capital transaction with shareholders shall be reported separately. The financial statements have made reporting and corresponding adjustments to the financial statements of comparable years according to the requirements of the standard.	Capital reserve	19
		Other comprehensive income	-19

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

### **(24) Changes of significant accounting policies and estimates** *(Continued)*

(b) There is no changes in accounting estimates for the current year.

### **(25) Corrections of prior year errors**

There is no correction of prior year errors for the current year.

### **(26) Critical accounting judgments and estimates**

Judgments, estimates and assumptions shall be made to financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Management bases its judgments, estimates and assumptions on historical experience and other various factors, these judgments will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, these uncertainties have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

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, 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)*

#### **(26) Critical accounting judgments and estimates** *(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 how much the fair value of the investment is lower than the cost, the financial position and short-term business projection, including industry conditions, technological innovation, the credit ratings, probability of violation, and counterparts' risks.

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

### (26) Critical accounting judgments and estimates *(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.

(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.



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

#### (26) Critical accounting judgments and estimates *(Continued)*

(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

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the carrying amount, such differences will impact the current and deferred tax.

(h) Early retirement pension and supplementary social pension

Expense and liability resulted from early retirement pension and supplementary social pension 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 expenses. Although the 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 and supplementary social pension.

(i) Projected liabilities

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.

# Notes to the Financial Statements (continued)

For the year 2014  
(Expressed in million RMB  
unless otherwise indicated)

## 5. TAXATION

### Main taxes and tax rates

Type of tax	Tax rates and base
Value added tax ("VAT")	Output VAT is calculated based on taxable income, according to the applicable tax rate, and deducting the VAT from the difference after deduction of input tax in current period
Business tax	Taxable income: 3%, 5%
City construction and maintenance tax, educational surcharge and local educational surcharge	Paid circulating tax: 7%, 3%, 2%
Enterprise income tax	Taxable income: 25%
Custom duty	FOB: 5%–15%

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, the opening balance refers to the balance as at 1 January 2014, and the closing balance refers to the balance as at 31 December 2014, the current year refers to the year ended 31 December 2014, last year refers to the year ended 31 December 2013.

### (1) CASH AT BANK OR ON HAND

Item	Closing balance		Opening balance	
	RMB	Foreign amount	Exchange rate	RMB
Cash:	1			1
Bank deposits:	1,696			1,111
— RMB	1,696			1,050
— U.S. dollar		10	6.1156	61
Other cash balance:	15			14
<b>Total</b>	<b>1,712</b>	<b>10</b>		<b>1,126</b>

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

**(2) NOTES RECEIVABLE**

- (a) Classification of notes receivable

Type	Closing balance	Opening balance
Bank Acceptance Notes	<b>8,607</b>	10,623
Total	<b>8,607</b>	10,623

- (b) As at 31 December 2014, there was no pledged notes receivable.
- (c) Notes receivables that are not mature but have been endorsed or discounted as at 31 December 2014.

Type	Derecognized amount at the end of the year	Derecognized amount at the end of the year
Bank Acceptance Notes	<b>9,976</b>	
Total	<b>9,976</b>	

- (d) No notes receivable were transferred to accounts receivable due to insolvency of the issuer as at 31 December 2014.

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

## (a) Classification of Accounts Receivable

Type	Closing balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with amounts that are individually significant and subject to separate assessment for bad debts provision	1,353	74		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	483	26	1	100
<b>Total</b>	<b>1,836</b>	<b>100</b>	<b>1</b>	<b>100</b>

Type	Opening balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with amounts that are individually significant and subject to separate assessment for bad debts provision	1,921	90		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	213	10		
<b>Total</b>	<b>2,134</b>	<b>100</b>		

### 6. 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	1,694	92		
1 to 2 years	141	8		
2 to 3 years				
Over 3 years	1		1	100
<b>Total</b>	<b>1,836</b>	<b>100</b>	<b>1</b>	<b>100</b>

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			
<b>Total</b>	<b>2,134</b>	<b>100</b>		

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

By judgment of the management, solvency of the debtors is reliable, so, majority of accounts receivable will be recovered and bad debt provision rate is relatively low.

(d) The condition of accounts receivable of the top five debtors by the balances at the end of the year

The accounts receivable balance of top five debtors is RMB780 million in total, accounting for 42% of the balance at the end of the year. Correspondingly the bad debt provision of the top five debtors was 0.

**6. 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 amounts that are individually significant and subject to separate assessment for bad debts provision				
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	<b>18</b>	<b>100</b>		
<b>Total</b>	<b>18</b>	<b>100</b>		

Type	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Other receivables with amounts that are individually significant and subject to separate assessment for bad debts provision				
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	18	100		
<b>Total</b>	<b>18</b>	<b>100</b>		

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (4) OTHER RECEIVABLES (Continued)

(b) Classification of other receivable according to the nature

Other accounts receivable	Closing book value	Opening book value
Petty cash	6	6
Cash deposit		1
Other	12	11
Total	18	18

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

By judgement of the management, solvency of the debtors is reliable, so majority of accounts receivable will be recovered and bad debt provision rate is relatively low.

#### (5) PREPAYMENTS

(a) Prepayment classified by aging

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	2,455	69	2,948	97
1 to 2 years	1,054	29	37	1
2 to 3 years	26	1	10	
Over 3 years	52	1	47	2
Total	3,587	100	3,042	100

Note: The aging of the prepayments over one year was mainly prepayment for importing engineering equipment.

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

- (b) The condition of prepayment of the top five debtors by the balances at the end of the year

The prepayment balance of the top five debtors is RMB2,909 million in total, accounting for 81% of the prepayment balance at the end of the year.

**(6) INVENTORY**

- (a) Classification of Inventory

Items	Closing balance		
	Book value	Inventory falling price reserves	Carrying value
Raw materials	1,979	1	1,978
Work in progress	2,902	339	2,563
Finished goods	3,825	206	3,619
Revolving materials	968		968
Spare parts	1,586		1,586
Materials in transit	145		145
Work in progress-outsourced	6		6
<b>Total</b>	<b>11,411</b>	<b>546</b>	<b>10,865</b>

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



### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### (6) INVENTORY *(Continued)*

(b) Changes in Inventory falling price reserves

Items	Opening balance	Increment of the year	Decrement of the year		Closing balance
			Written back	Written off	
Raw materials	74	87		160	1
Work in progress	276	1,043		980	339
Finished goods	223	980		997	206
<b>Total</b>	<b>573</b>	<b>2,110</b>		<b>2,137</b>	<b>546</b>

(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, provision for inventory was accrued at the end of the year.
- (ii) Provision for inventory transferred to current year profit and losses for the reason that the inventory was sold, of which provision has been accrued last year.

#### (7) AVAILABLE-FOR-SALE FINANCIAL ASSETS

(1) The classification of available-for-sale financial assets

Item	Closing value	Opening value
Listed investment	<b>96</b>	56
including: Hong Kong		
Mainland	<b>96</b>	56
Non-listed investment	<b>773</b>	694
<b>Total</b>	<b>869</b>	750

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(7) AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)**

(2) The condition of available-for-sale financial assets

Item	Closing value		Opening value			
	Book balance	impairment	Book value	Book balance	Impairment	Book value
available-for-sale financial assets:						
Measured at fair value	869		869	750		750
Measured at cost	96		96	56		56
	773		773	694		694
Total	869		869	750		750

(3) Closing balance of available-for-sale financial assets measured at fair value

The classification of available-for-sale financial assets	Sellable equity instrument
The cost of equity instruments/ The amortized cost of debt instruments	81
Fair value	96
Changes in fair value amounts accumulated through other comprehensive income	11
Provision for impairment	

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

**(7) AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)**

(4) Available-for-sale financial assets measured at cost

The invested entity	Book balance			Closing value
	Opening value	Increase	Decrease	
WISDRI Engineering and Research Incorporation Limited ("WISDRI")	35	79		<b>114</b>
Tianjin Tiantie	185			<b>185</b>
Heilongjiang Longmay Mining Group Co., Ltd. ("Longmay Group")	220			<b>220</b>
Anshan Falan Packing Material Co., Ltd. ("Falan Packing")	21			<b>21</b>
Dalian Shipbuilding Industry Co., Ltd Shipyard Company ("Dalian Shipyard")	151			<b>151</b>
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd ("China Shipbuilding")	10			<b>10</b>
Dalian Shipbuilding Industry Group Steel Co., Ltd ("Dalian Steel")	69			<b>69</b>
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. ("Guoqi Lightweight")	3			<b>3</b>
<b>Total</b>	<b>694</b>	<b>79</b>		<b>773</b>

# Notes to the Financial Statements *(continued)*

For the year 2014  
(Expressed in million RMB  
unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (7) AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

(4) available-for-sale financial assets measured at cost *(Continued)*

The invested entity	Impairment Provision			Closing value	proportion of shareholding (%)	Cash bonuses in this year
	Opening value	increase	decrease			
WISDRI					6	6
Tianjin Tiantie					5	
Longmay Group					1	
Falan Packing					15	1
Dalian Shipyard					15	
China Shipbuilding					10	
Dalian Steel					15	
Guoqi Lightweight					7	
<b>Total</b>						<b>7</b>

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

**(8) LONG-TERM EQUITY INVESTMENT**

Details of long-term equity investments

The invested entity	Opening value	Increase/Decrease		Investment income under The equity method	Other comprehensive Income adjustment
		Increase	Decrease		
<b>a. Jointly venture</b>					
TKAS Auto Steel Company Limited ("ANSC-TKS")	1,251			460	
The iron and Steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. (ANSC – Dachuan)	224			2	
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	95			7	
ANSC-TKS Changchun Steel Logistics Co., Ltd. ("TKAS-SSC")	66			8	
Anshan Iron and steel high strength steel for Automobile Co. Ltd. of Chongqing ("Chongqing automobile steel")			50		
minor total	1,636	50		477	

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(8) LONG-TERM EQUITY INVESTMENT (Continued)**

Details of long-term equity investments (Continued)

The invested entity	Opening value	Increase/Decrease		Investment income under The equity method	Other comprehensive Income adjustment
		Increase	Decrease		
<b>b. associated venture</b>					
ANSC-TKS (Changchun Tailored Blanks Ltd. ("TKAS"))	78			23	
Angang Entity Group Packing Steel Strip Company Limited ("Entity Packing")	5				
Angang Group Finance Co., Ltd. ("Angang Finance")	642	527		90	(4)
Anshan Angang Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder")					
Guangzhou Nansha Steel Logistical Co.,Ltd. ("Nansha Logistical")	73			(3)	
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")		98			
Shanghai chemical Po Agel Ecommerce Ltd ("Shanghai chemical")		1			
minor total	798	626		110	(4)
Total	2,434	676		587	(4)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (8) LONG-TERM EQUITY INVESTMENT (Continued)

Details of long-term equity investments (Continued)

The invested entity	Increase/Decrease				Closing Value	Closing value of the provision For impairment
	Other equity changes	Declaration of cash dividends or profits	Provision for impairment loss	Other		
<b>1. cooperative enterprise</b>						
ANSC-TKS		(400)		(27)	1,284	
ANSC – Dachuan					226	
Changchun FAM		(10)			92	
TKAS-SSC				4	78	
Chongqing automobile steel					50	
minor total		(410)		(23)	1,730	
<b>2. associated enterprise</b>						
TKAS					101	
Entity Packing					5	
Angang Finance	(1)	(124)			1,130	
Iron Oxide Powder						
Nansha Logistical					70	
AISSG					98	
Shanghai chemical					1	
minor total	(1)	(124)			1,405	
Total	(1)	(534)		(23)	3,135	

# Notes to the Financial Statements (continued)

For the year 2014  
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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (9) FIXED ASSETS

(a) Analysis of fixed assets

Item	Houses and buildings	Machineries and equipment	Others	Total
<b>① Cost</b>				
The balance at the beginning of the year	24,457	61,638	4,657	90,752
Increase:	1,667	2,838	108	4,613
Purchase	39	22	9	70
Transform from projects under construction	1,628	2,816	99	4,543
Decrease:	117	522	32	671
Dispose or scrap	117	522	32	671
The balance at the end of the year	26,007	63,954	4,733	94,694
<b>② accumulated depreciation</b>				
The balance at the beginning of the year	7,688	34,134	3,442	45,264
Increase:	588	2,862	379	3,829
count for depreciation	588	2,862	379	3,829
Decrease:	61	465	30	556
Dispose or scrap	61	465	30	556
The balance at the end of the year	8,215	36,531	3,791	48,537
<b>③ Provision for impairment</b>				
The balance at the beginning of the year	6	27	3	36
Increase				
Decrease:		1		1
Dispose or scrap		1		1
The balance at the end of the year	6	26	3	35
<b>④ Book value</b>				
The closing book value	17,786	27,397	939	46,122
The opening book value	16,763	27,477	1,212	45,452



### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### (9) FIXED ASSETS *(Continued)*

(b) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying value	Notes
Houses and buildings	8	3		5	
Machineries and Equipment	263	181	5	77	
Others	18	15	2	1	
<b>Total</b>	<b>289</b>	<b>199</b>	<b>7</b>	<b>83</b>	

(c) The Group had no financial leased-in fixed asset as at 31 December 2014.

(d) Fixed assets held under financial leases

Items	Closing carrying value	Opening carrying value
Buildings and Plants	<b>33</b>	34
Machineries and Equipment	<b>56</b>	59
<b>Total</b>	<b>89</b>	<b>93</b>

# Notes to the Financial Statements (continued)

For the year 2014  
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## 6. 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	3,112		3,112	2,980		2,980
Wuhan Project	139		139	101		101
Dalian Project	126		126	8		8
Shenyang Project	119		119	106		106
Guangzhou Project	48		48	11		11
Guangzhou automobile project	41		41			
Cool rolling project	14		14			
Zhengzhou project	3		3			
Hefei peoject	1		1	93		93
Iron making plant of environmental project	503		503			
Chemical expansion	379		379	928		928
The upgrade technology project	279		279	2		2
100 miter rail' heat treatment project	150		150			
Chemical coke oven renovation project	13		13	282		282
Others	1,006		1,006	1,245		1,245
<b>Total</b>	<b>5,933</b>		<b>5,933</b>	<b>5,756</b>		<b>5,756</b>

## Notes to the Financial Statements (continued)

### 6. 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 into fixed assets	Other decrease	Closing balance
Bayuquan Project	6,817	2,980	503	371		3,112
Wuhan Project	170	101	38			139
Dalian Project	246	8	118			126
Shenyang Project	135	106	13			119
Guangzhou Project	100	11	37			48
Guangzhou automobile project	1,145		41			41
Cool rolling project	1,470		14			14
Zhengzhou project	153		3			3
Hefei project	112	93	5	97		1
Iron making plant of environmental project	1,000		503			503
Chemical expansion	1,125	928	71	620		379
The upgrade technology project	280	2	277			279
100 miter rail heat treatment project	220		150			150
Chemical coke oven renovation project	1,523	282	517	786		13
Others		1,245	2,430	2,669		1,006
<b>Total</b>		<b>5,756</b>	<b>4,720</b>	<b>4,543</b>		<b>5,933</b>

# Notes to the Financial Statements (continued)

For the year 2014  
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## 6. 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	603	139	5.78	52	52	Self-financing
Wuhan Project	5	3	6.40	79	79	Borrowings, Self-financing
Dalian Project	1	1	6.55	51	51	Borrowings, Self-financing
Shenyang Project				88	88	Self-financing
Guangzhou Project				48	48	Self-financing
Guangzhou automobile project				4	4	Self-financing
Cool rolling project	9	9	6.00	0.32	0.32	Borrowings, Self-financing
Zhengzhou project				2	2	Self-financing
Hefei peoject	1		5.54	96	96	Borrowings, Self-financing
Ironmaking plant of environmental project	15	15	5.57	49	49	Self-financing
Chemical expansion	209	17	5.57	93	93	Borrowings, Self-financing
The upgrade technology project	8	8	5.57	97	97	Self-financing
100 miter rail <sup>®</sup> heat treatment project				68	68	Self-financing
Chemical coke oven renovation project	50	40	5.57	49	49	Self-financing
Others	641	67	5.57			Self-financing
<b>Total</b>	<b>1,542</b>	<b>299</b>				

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

- (c) As at 31 December 2014, the Group has no construction in progress whose carrying value was higher than its realizable value.

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

**(11) CONSTRUCTION MATERIALS**

Items	Closing value	Opening value
special material	1	
special equipment	37	26
Total	38	26

**(12) INTANGIBLE ASSETS**

Item	Land use right	Non-patented technology	software	trademark right	Total
<b>1. Cost</b>					
The balance at the beginning of the year	7,311	32	47		7,390
Increase:					
purchase	241		1		242
internal R&D	241		1		242
Enterprise merger					
Decrease:					
disposition					
The balance at the end of the year	7,552	32			7,632

# Notes to the Financial Statements *(continued)*

For the year 2014  
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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (12) INTANGIBLE ASSETS *(Continued)*

Item	Land use right	Non- patented technology	software	trademark right	Total
<b>2. Accumulative amortization</b>					
The balance at the beginning of the year	1,175	31	37		1,243
Increase:	149	1	5		155
Counting and Drawing	149	1	5		155
Decrease disposition					
The balance at the end of the year	1,324	32	42		1,398
<b>3. Provision for impairment</b>					
The balance at the beginning of the year					
Increase:					
Counting and Drawing					
Decrease disposition					
The balance at the end of the year					
<b>4. Book value</b>					
The closing book value	6,228		6		6,234
The opening book value	6,136	1	10		6,147

## Notes To The Financial Statements

### 6. 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	582	152	609
Deductible loss	1,886	7,548	2,528	10,114
Salaries payable	44	177	56	225
Accumulated depreciation of fixed assets	5	19	6	22
Unrealized inter-group profit	53	211	41	164
Government grants	189	755	195	781
Fair value variation on Available-for-sale financial assets			6	25
Termination benefits	1	3	2	7
Employee training expenses	13	52	15	58
<b>Total</b>	<b>2,336</b>	<b>9,347</b>	<b>3,001</b>	<b>12,005</b>

(b) Recognized deferred income tax liabilities

Items	Closing balance		Opening balance	
	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference
Fair value variation on Available-for-sale financial assets	4	15		
Capitalized borrowing costs	16	65	20	79
<b>Total</b>	<b>20</b>	<b>80</b>	<b>20</b>	<b>79</b>

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

(c) Deductible loss has not been recognized as deferred tax assets

<b>Items</b>	<b>Closing balance</b>	Opening balance
Deductible loss	<b>1,776</b>	697
<b>Total</b>	<b>1,776</b>	697

(d) Deductible loss has not been recognized as deferred tax assets which is due to next year

<b>Items</b>	<b>Closing balance</b>	Opening balance
2014		697
2015	<b>406</b>	
2016	<b>1,361</b>	
2017		
2018		
2019	<b>9</b>	
<b>Total</b>	<b>1,776</b>	697

**(14) SHORT-TERM LOANS**

<b>Items</b>	<b>Closing balance</b>	Opening balance
Guaranteed loans	<b>5,998</b>	
Credit loans	<b>8,674</b>	9,241
<b>Total</b>	<b>14,672</b>	9,241

Note: The guarantee loans of the short-term loans are mainly used to replenish working capital, which is guaranteed by Angang Group Company.



6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) NOTES PAYABLE

Types of notes	Closing balance	Opening balance
Bank acceptances	356	47
Total	356	47

Note: All the mature notes payable have been paid at the end of the year.

(16) ACCOUNT PAYABLES

(a) Classification of account payables by nature

Items	Closing balance	Opening balance
Account payables for purchasing	7,671	14,782
Construction payables	491	407
Operation expenses on supporting production	59	65
Freight	15	32
Others	53	57
Total	8,289	15,343

(b) Significant account payables aging over 1 year

Creditor	Balance owed	Aging
Tangyuan Tianyu Coal & Coke Energy Co., Ltd.	43	2-3 year
Total	43	

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (16) ACCOUNT PAYABLES *(continued)*

(c) Aging of account payables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	8,202	100	15,232	99
1 to 2 years	1		44	
2 to 3 years	43		2	
Over 3 years	43		65	1
Total	8,289	100	15,343	100

### (17) ADVANCES FROM CUSTOMERS

(a) Classification of advances from customers by nature

Items	Closing balance	Opening balance
Selling of products	3,332	4,031
Total	3,332	4,031

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

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### (18) EMPLOYEE BENEFITS PAYABLE

(a) the situation about employee benefits payable

item	Opening value	increase	decrease	Closing value
A Short-term remuneration	277	4,125	4,176	226
B Termination benefits	4	46	48	2
<b>Total</b>	<b>281</b>	<b>4,171</b>	<b>4,224</b>	<b>228</b>

(b) the situation about short-term remuneration

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
1. Salaries, bonus and allowance	215	2,466	2,511	170
2. Staff welfare		284	284	
3. Social insurance		923	923	
Including: (1) Basic medical insurance		179	179	
(2) Supplementary pension insurance		51	51	
(3) Basic pension insurance		510	510	
(4) Annuity payment (Supplementary pension insurance)		133	133	
(5) Unemployment insurance		25	25	
(6) Staff and workers' injury insurance		23	23	
(7) Others		2	2	
4. Housing fund		311	311	
5. Labor union fee and staff training fee	62	58	64	56
6. Others		83	83	
<b>Total</b>	<b>277</b>	<b>4,125</b>	<b>4,176</b>	<b>226</b>

# Notes To The Financial Statements *(continued)*

For the year 2014  
(Expressed in million RMB  
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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (19) TAXES AND SURCHARGES PAYABLE

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
VAT	(502)	1,034	537	(5)
Business tax		3	2	1
Resource tax		3	2	1
Corporate income tax	(14)	1	2	(15)
City maintenance and construction tax		122	102	20
Property tax	9	107	107	9
Land use tax	24	279	279	24
Individual income tax	10	61	66	5
Educational surcharges		52	44	8
Local educational surcharges		35	29	6
Stamp tax	9	49	53	5
Others	(86)	105	2	17
<b>Total</b>	<b>(550)</b>	<b>1,851</b>	<b>1,225</b>	<b>76</b>

### (20) INTERESTS PAYABLE

Items	Closing balance	Opening balance
Interest for short-term financing bonds	93	86
Interest for medium term note	110	110
<b>Total</b>	<b>203</b>	<b>196</b>

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) OTHER PAYABLES

(a) Classification of other payables by nature

Items	Closing balance	Opening balance
The Energy-saving and Emission-reducing funds transferred by Angang holding		364
Construction payables	882	493
Quality assurance -project/spare parts	637	599
Freight charges	68	165
Deposit for steel shelves	30	82
Performance assurance	105	116
Others	172	125
<b>Total</b>	<b>1,894</b>	1,944

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

Creditor	Closing balance	Reason	Whether paid after balance sheet date
Angang Group Engineering Technology Co., LTD	82	Project quality assurance	No
Acre Coking & Refractory Engineering Technology Corporation	55	Project quality assurance	No
China First Heavy Machinery Group Co., LTD	32	Project quality assurance	No
China Sanye Group Co., LTD	19	Project quality assurance	No
The Northeast Geotechnical Engineering Head Corporation	16	Project quality assurance	No
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	18	Project quality assurance	No
Others	12	Project quality assurance	No
	<b>234</b>		

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (22) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR

Items	Closing balance	Opening balance
Long-term loans due within 1 year (Note 6(24))	1,701	1,271
Total	1,701	1,271

### (23) OTHER CURRENT LIABILITIES

Items	Closing balance	Opening balance
Short-term financing bonds	6,000	6,000
Total	6,000	6,000

### (24) LONG-TERM LOANS

(a) Classification of Long-term loans

Items	Closing balance	Opening balance
Guaranteed loans	51	21
Credit loans	3,021	4,294
minor total	3,072	4,315
Less: long-term loans due within 1 year (Note: 6(22))	1,701	1,271
Total	1,371	3,044

Note: Guarantee loans of long-term loans, guaranteed by Angang group, were mainly used to replenish working capital for project construction.

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (24) LONG-TERM LOANS (Continued)

(b) Classification of Long-term loans by the maturity date

Items	Closing date	Opening date
Within 1 year	1,701	1,271
1 year to 2 year(include 2 year)	612	1,701
2 year to 3 year(include 3 year)	738	1,292
3 year to 5 year(include 5 year)	21	51
<b>Total</b>	<b>3,072</b>	<b>4,315</b>

#### (25) BONDS PAYABLE

Type of bonds	Par value	Issuance date	bond duration	Issuance amount	Closing balance	opening balance
Medium term note	4,000	22 May 2013	3 years	4,000	3,983	3,971
<b>Total</b>	<b>4,000</b>			<b>4,000</b>	<b>3,983</b>	<b>3,971</b>

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	180	180	110
<b>Total</b>	<b>110</b>	<b>180</b>	<b>180</b>	<b>110</b>

#### (26) LONG-TERM EMPLOYEE BENEFITS PAYABLE

Items	Closing value	Opening value
Termination benefits	1	3
<b>Total</b>	<b>1</b>	<b>3</b>

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (27) DEFERRED INCOME

Item	Opening date	Increase	Decrease	Closing date
Government grants	933	137	101	<b>969</b>
Total	933	137	101	<b>969</b>

Among them, the projects involved the government grants are as follows:

Liabilities	Opening date	New grants	Belong to nonbusiness -income	Other Changes	Closing date	Associated with the asset / income
Bayuquan 1450 cold-rolled project	200				<b>200</b>	asset associated
Flue gas desulphurization project	154		6		<b>148</b>	asset associated
Shenyang Steel plus the overall relocation project	153		2		<b>151</b>	asset associated
5500MM defense heavy plate steel project	108		20		<b>98</b>	asset associated
The support funds for Guangzhou automotive steel project		63			<b>63</b>	asset associated
Environmental funds	124		10		<b>114</b>	asset associated
ESR	44		7		<b>37</b>	asset associated
Others	150	74	56		<b>158</b>	asset associated
Total	933	137	101		<b>969</b>	



6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28) SHARE CAPITAL

	Opening balance		Changes of the period (+,-)					Closing balance	
	Balance	Proportion	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	Proportion
<b>2014</b>									
Shares unrestricted on sale									
a. Ordinary A shares	6,149	85						6,149	85
b. Foreign shares listed overseas	1,086	15						1,086	15
<b>Total</b>	<b>7,235</b>	<b>100</b>						<b>7,235</b>	<b>100</b>

	Opening balance		Changes of the period (+,-)					Closing balance	
	Balance	Proportion	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	Proportion
<b>2013</b>									
Shares unrestricted on sale									
a. Ordinary A shares	6,149	85						6,149	85
b. Foreign shares listed overseas	1,086	15						1,086	15
<b>Total</b>	<b>7,235</b>	<b>100</b>						<b>7,235</b>	<b>100</b>

# Notes To The Financial Statements *(continued)*

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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (29) CAPITAL RESERVE

2014	Opening balance	Increase of the year	Decease of the year	Closing balance
Share premium	32,054			31,144
Other capital reserve <i>(Note)</i>	11		1	10
<b>Total</b>	<b>31,155</b>		<b>1</b>	<b>31,154</b>

2013	Opening balance	Increase of the year	Decease of the year	Closing balance
Share premium	32,054		910	31,144
Other capital reserve	11			11
<b>Total</b>	<b>32,065</b>		<b>910</b>	<b>31,155</b>

*Note:* The reason for the capital reserve reduced 1 million is that the audited company enjoyed other changes in its associates' net assets.

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) OTHER COMPREHENSIVE INCOME

Item	Profit or loss arising from fair value changes of available-for-sale financial assets		the share which enjoyed by the invested unit reclassified into profit or loss in other comprehensive income under the equity method		Totals	
	The date of this year	The date of Last year	The date of this year	The date of Last year	The date of this year	The date of Last year
The balance at the beginning of the year	(19)	15			(19)	15
Amount for the year before tax	40	(46)	(4)		36	(46)
Minus: transform into profit or loss from other comprehensive income						
Minus: income tax expenses	10	(12)			10	(12)
The after-tax amount attributed to the parent company	30	(34)	(4)		26	(34)
The after-tax amount attributed to minority shareholders						
The balance at the end of the year	11	(19)	(4)		7	(19)

(31) SPECIAL RESERVE

2014	Opening balance	Increase of the year	Decease of the year	Closing balance
Safety production expenses	21	78	69	30
Total	21	78	69	30
2013	Opening balance	Increase of the year	Decease of the year	Closing balance
Safety production expenses	44	66	89	21
Total	44	66	89	21

# Notes To The Financial Statements *(continued)*

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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (32) SURPLUS RESERVE

2014	Opening balance	Increase of the year	Decease of the year	Closing balance
Statutory surplus reserve	3,580			3,580
Total	3,580			3,580
2013	Opening balance	Increase of the year	Decease of the year	Closing balance
Statutory surplus reserve	3,580			3,580
Total	3,580			3,580

### (33) UNDISTRIBUTED PROFITS

Items	This year	Last year
Opening balance	5,054	4,419
Increase of the year	928	770
Including: Net profit transferred this year	928	770
Other adjustment factors		
Decease of the year	195	135
Including: Extraction of surplus reserve this year		
Extraction of general risk provisions this year		
Distribution of cash dividend this year	195	
Conversed capital		
Other decreases		135
Closing balance	5,787	5,054

Note: (a) On 4 June 2014, the 2013 annual general meeting of the Company has considered and approved the Profit Distribution Plan for the Year of 2013. On the basis of the total share capital as of 31 December 2013 consisting of 7,234,807,847 shares, cash dividend of RMB0.027 per share shall be distributed, which amounts to the sum of RMB195 million.

(b) On 30 March 2015, the Board has proposed for the Company to distribute cash dividend of RMB0.045 per share to the shareholders of ordinary shares, which amounts to the sum of RMB326 million. This proposal is subject to approval of the general meeting of the shareholders. The cash dividend proposed after the balance sheet date was not recognised as liabilities at the balance sheet date.

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

**(34) OPERATING REVENUE AND OPERATING COST**

Items	This year	Last year
Prime operating revenue	<b>73,809</b>	75,091
Other operating revenue	<b>237</b>	238
<b>Total</b>	<b>74,046</b>	75,329
Operating cost for main business	<b>65,374</b>	66,766
Other operating cost	<b>116</b>	163
<b>Total</b>	<b>65,490</b>	66,929

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

**(35) BUSINESS TAXES AND SURCHARGES**

Items	This year	Last year
Resources tax and business tax	<b>5</b>	4
City maintenance and construction tax	<b>121</b>	111
Educational surcharge and local educational surcharge	<b>87</b>	79
<b>Total</b>	<b>213</b>	194

Note: For information about standard of business taxes and surcharges, please refer to Note 5 Taxation.

**(36) MARKETING EXPENSES**

Items	This year	Last year
Packing expense	<b>486</b>	519
Delivery expense	<b>1,260</b>	872
Sales and service expense	<b>169</b>	117
Agency fee for commissioned sales	<b>9</b>	29
Employee benefits	<b>136</b>	95
Insurance expense	<b>5</b>	7
Warehouse storage expense	<b>11</b>	4
Others	<b>142</b>	100
<b>Total</b>	<b>2,218</b>	1,743

# Notes To The Financial Statements *(continued)*

For the year 2014  
(Expressed in million RMB  
unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (37) ADMINISTRATIVE EXPENSES

Items	This year	Last year
Repair and maintenance	57	1,473
Employee benefits	483	576
Taxes	440	438
Amortization of intangible assets	155	161
Depreciation	76	75
Sewage fee	77	85
Assistance for production expense	100	101
Computer maintenance expense	30	28
Security and firefighting expense	78	66
Research and development costs	81	49
Afforestation fees	45	34
Audit fee	4	4
Others	224	180
Total	1,850	3,270

### (38) FINANCIAL EXPENSES

Items	This year	Last year
Interest expense	1,611	1,502
Including: It has to pay off all the interests from the bank loans and other loans	873	1,035
The financial charges during the financial lease period		
Other interest expenditures	738	467
Less: Interest income	12	23
Less: Capitalized interest expense	299	261
Exchange gain or loss	(61)	(25)
Less: Capitalized exchange gain or loss		
Others	33	25
Total	1,272	1,218

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) INVESTMENT INCOME

Items	This year	Last year
Long-term equity investment income under the equity method	587	533
Investment income from disposal of long-term equity investments		21
The investment income during the holding of available-for-sale financial assets	86	1
<b>Total</b>	<b>673</b>	555

Note: The investment income in this year and last year was derived from unlisted companies.

(40) IMPAIRMENT LOSSES

Items	This year	Last year
Provision for bad debts	1	(7)
Provision for written-down of inventories	2,110	1,873
<b>Total</b>	<b>2,111</b>	1,866

(41) NON-OPERATING REVENUE

Items	This year	Last year	Recorded into extraordinary gains and losses
Total gains from disposal of non-current assets	56	42	56
Including: Gains on fixed assets scrapped	53	42	53
Other gains on disposal of fixed assets	3		3
Government grant (Disclosed in the below: Details of government grants)	101	113	101
Others	4	3	4
<b>Total</b>	<b>161</b>	158	161

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (41) NON-OPERATING REVENUE *(Continued)*

Details of government grants:

Items	This year	Last year
R & D subsidy	5	41
Environmental rewards	19	34
Military project grants	74	31
Others	3	7
Total	101	113

### (42) NON-OPERATING EXPENSES

Items	This year	Last year	Recorded into extraordinary gains and losses
Total loss on disposal of non-current assets	137	89	137
Including: Loss on fixed assets scrapped	137	89	137
Other loss on disposal of fixed assets			
Others	10	5	10
Total	147	94	147



6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) INCOME TAX EXPENSES

(a) The tabulation for income tax expenses

Items	This year	Last year
Income tax calculated according to the Tax Law and the relevant regulations		6
Changes on deferred income tax expenses	655	(33)
Total	655	(27)

(b) The adjustment process for profit and income tax expenses

Items	2014
Total profit	1,579
The income tax expenses accumulated by statutory/applicable tax rates	395
Effect of different tax rates used by its subsidiaries	
Adjustment of the income tax on prior periods	25
Impact of non-taxable income	(168)
Impact of non-deductible costs, expenses and losses	47
The impact of the use of deductible temporary differences which not confirmed as diferred tax assets on prior periods	(16)
The impact of the deductible temporary differences of the deferred tax assets or the deductible losses	2
Tax adjustment led to changes at the beginning Deferred tax assets/liabilities balances	
Three new deduction	(72)
Influence of estimated loss that can not make up for future years	442
Income tax expense	655

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (44) OTHER COMPREHENSIVE INCOME

See Note 6(30).

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

(a) Cash received from other operating activities

Items	This year	Last year
Government grants	137	267
Others	57	67
<b>Total</b>	<b>194</b>	<b>334</b>

(b) Cash paid for other operating activities

Items	This year	Last year
Freight fee payments for others	1,793	857
Agency fee for commissioned sales	15	8
Sewage fee	77	85
Computer maintenance fees	36	22
Security and firefighting expense	14	7
Green fees	52	34
Pipeline transportation fees	26	19
Agency fees	33	19
Purchases and sales business fee	75	38
Insurance fee	62	39
Other operating expenses	946	474
<b>Total</b>	<b>3,129</b>	<b>1,602</b>

(c) Cash received from other investing activities

Items	This year	Last year
Income from test run	112	246
Interest income	14	25
<b>Total</b>	<b>126</b>	<b>271</b>

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

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

(d) Cash paid for other investment activities.

Items	This year	Last year
Net cash from assets replacement and equity transfer		231
Total		231

**(46) SUPPLEMENT TO CASH FLOW STATEMENT**

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

Items	This year	Last year
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
<b>Net profit</b>	<b>924</b>	755
Add: Provision for impairment	<b>(27)</b>	203
Depreciation of fixed assets	<b>3,829</b>	4,087
Amortization of intangible assets	<b>155</b>	164
Amortization of long-term deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("-" for gains)	<b>(3)</b>	
Loss on scrap of fixed assets	<b>84</b>	47
Loss on the change of fair value		
Financial expenses	<b>1,264</b>	1,205
Investment loss	<b>(673)</b>	(555)
Decrease in deferred tax assets ("-" for increase)	<b>659</b>	(30)
Increase in deferred tax liabilities ("-" for decrease)	<b>(4)</b>	(3)
Decrease in inventories ("-" for increase)	<b>1,239</b>	(2,731)
Decrease in operating receivables ("-" for increase)	<b>2,582</b>	(1,330)
Increase in operating payables ("-" for decrease)	<b>(7,877)</b>	8,788
Others	<b>(15)</b>	(37)
<b>Net cash flow from operating activities</b>	<b>2,137</b>	10,563

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (46) SUPPLEMENT TO CASH FLOW STATEMENT *(Continued)*

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

Items	This year	Last year
<b>2. Change in cash and cash equivalents</b>		
Cash at the end of the year	1,712	1,126
Less: cash at the beginning of the year	1,126	3,123
Add: cash equivalents at the end of the year		
Less: cash equivalents at the beginning of the year		
<b>Net increase in cash and cash equivalents</b>	<b>586</b>	<b>(1,997)</b>

(b) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
<b>1. Cash at bank and on hand</b>	<b>1,712</b>	1,126
Of which: Cash	1	1
Bank deposits available	1,696	1,111
Other deposits available	15	14
<b>2. Cash equivalents</b>		
Of which: Bond due within 3 months		
<b>3. Closing balance of cash and cash equivalents</b>	<b>1,712</b>	1,126

### 7. CHANGES IN CONSOLIDATION SCOPE

There are three new subsidiaries included in the scope of consolidation, they are Angang Steel Processing and Distribution (Zhengzhou) Co., Ltd., Angang Guangzhou Automotive Steel Co., Ltd. and Kobelco Angang Auto Steel Co., Ltd..

### 8. INTERESTS IN OTHER ENTITIES

#### 1. Interest in the subsidiary

##### the constitution of the enterprise group

Full Name of Subsidiaries	Principal place of business	Registry	nature of the business	Direct stake (%)	acquisition
Angang Steel Distribution (Wuhan) Co., Ltd. ("Angang Wuhan")	Wuhan	Wuhan	Steel Processing and Distribution	100	Establish
Angang Steel Distribution (Hefei) Co., Ltd. ("Angang Hefei")	Hefei	Hefei	Steel Processing and Distribution	100	Establish
Shenyang Anshan Iron and Steel International Trade Co., Ltd. ("Shenyang Trade")	Shenyang	Shenyang	Sales of metal materials and products, building materials, etc.	100	Combination under common control
Shanghai Anshan Iron and Steel International Trade Co., Ltd. ("Shanghai Trade")	Shanghai	Shanghai	Wholesale and retail purchasing services	100	Combination under common control
Tianjin Anshan Iron and Steel International Trade Co., Ltd. ("Tianjin Trade")	Tianjin	Tianjin	Purchase and sale of metal and other materials	100	Combination under common control
Chengdu Anshan Iron and Steel International Trade Co., Ltd. ("Chengdu Trade")	Chengdu	Chengdu	Sales of metal materials and building materials	100	Combination under common control
Guangzhou Anshan Iron and Steel International Trade Co., Ltd. ("Guangzhou Trade")	Guangzhou	Guangzhou	Technology import and export of goods, Wholesale and retail trade	100	Combination under common control
Shenyang Anshan Iron and Steel Processing and Distribution Co., Ltd. ("Shenyang Steel")	Shenyang	Shenyang	Steel Processing and Distribution	100	Combination under common control

# Notes To The Financial Statements *(continued)*

For the year 2014  
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unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interest in the subsidiary *(Continued)*

#### the constitution of the enterprise group *(Continued)*

Full Name of Subsidiaries	Principal place of business	Registry	nature of the business	Direct stake (%)	acquisition
Anshan Iron and Steel Processing and Distribution (Dalian) Co., Ltd. ("Angang Dalian")	Dalian	Dalian	Steel Processing and Distribution	100	Establish
Ningbo Anshan Iron and Steel International Trade Co., Ltd. ("Ningbo Trade")	Ningbo	Ningbo	Steel trade	100	Establish
Yantai Anshan Iron and Steel International Trade Co., Ltd. ("Yantai Trade")	Yantai	Yantai	Steel trade	100	Establish
Angang Zhengzhou	Zhengzhou	Zhengzhou	Steel Processing and Distribution	100	Establish
Angang Guangzhou Automotive Anshan Iron and Steel Processing and Distribution (Guangzhou) Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	Fabricated Metal	100	Establish
Anshan Iron and Steel Processing and Distribution (Weifang) Co., Ltd. ("Angang Weifang")	Weifang	Weifang	Steel Processing and Distribution	75	Establish
Anshan Iron and Steel Processing and Distribution (Shanghai) Co., Ltd. ("Angang Shanghai")	Shanghai	Shanghai	Steel Processing and Distribution	51	Combination under common control
Anshan Iron and Steel Processing and Distribution (Tianjin) Co., Ltd. ("Angang Tianjin")	Tianjin	Tianjin	Steel Processing and Distribution	51	Combination under common control;
Kobelco Angang	Anshan	Anshan	Processing and sale of steel rolling	51	Establish

### 8. INTERESTS IN OTHER ENTITIES *(Continued)*

#### 2. Interests in joint ventures or associates

(a) the important joint ventures or associates

Name	Principal place of business	Registry	Nature of the business	Direct stake (%)	Accounting treatment
ANSC-TKS	Dalian	Dalian	Galvanized and alloyed steel Board production and sales	50	Equity method
ANSC – Dachuan	Dalian	Dalian	Steel processing and sales	50	Equity method
Changchun FAM	Changchun	Changchun	Steel production and processing services	50	Equity method
TKAS-SSC	Changchun	Changchun	Steel production, processing and sales	50	Equity method
Chongqing automobile steel	Chongqing	Chongqing	Steel production, processing and sales, Equipment houses leasing, warehousing services	50	Equity method
TKAS	Changchun	Changchun	Tailored Blanks production	45	Equity method
Entity Packing	Anshan	Anshan	Packaging steel and steel rolled products	30	Equity method
Angang Finance	Anshan	Anshan	Deposits and loans and financing	20	Equity method
Iron Oxide Powder	Anshan	Anshan	Iron powder processing	30	Equity method
Nansha Logistical	Guangzhou	Guangzhou	Freight Forwarding, steel packaging	45	Equity method
AISSG	Hangzhou	Hangzhou	Trade, warehousing services	49	Equity method
Shanghai chemical	Shanghai	Shanghai	Build steel processing projects	23	Equity method

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 8. INTERESTS IN OTHER ENTITIES *(Continued)*

### 2. Interests in joint ventures or associates *(Continued)*

(b) The accounting treatment of the important joint ventures

Items	ANSC-TKS	
	Closing date/ the date occurred in this year	Opening date/ the date occurred in last year
Current assets	2,477	2,104
Cash and cash equivalents	1,259	1,125
Non-Current assets	747	847
<b>Total Assets</b>	<b>3,224</b>	<b>2,951</b>
Current liabilities	489	336
Non-Current liabilities	11	12
<b>Total Liabilities</b>	<b>500</b>	<b>348</b>
Minority interests		
Equity attributable to shareholders of parent company	2,724	2,603
The share of the net assets calculated by the share of take	1,362	1,302
Adjusting events		
— goodwill		
— unrealized profit resulting from intra-group trade	(78)	(51)
— others		
The book value of equity investments in joint ventures	1,284	1,251
The fair value of the equity investments in joint ventures which exist the public offer		
Operating revenue	6,391	5,784
Finance costs	(6)	(1)
Income tax expenses	161	167
Net profit	922	834
Net profit from discontinued operations		
Other comprehensive income		
<b>The total of comprehensive income</b>	<b>922</b>	<b>834</b>
Dividends received from joint ventures this year	400	400



8. INTERESTS IN OTHER ENTITIES (Continued)

2. Interests in joint ventures or associates (Continued)

(c) The accounting treatment of the important association

Item	Angang Finance	
	Closing date/ the date occurred in this year	Opening date/ the date occurred in last year
Current assets	7,532	4,017
Including: Cash and cash equivalents	6,208	3,652
Non-Current assets	13,860	12,928
<b>Total Assets</b>	<b>21,392</b>	16,945
Current liabilities	15,722	11,466
Non-Current liabilities		
<b>Total Liabilities</b>	<b>15,722</b>	11,466
Minority interests	22	22
Equity attributable to shareholders of parent company	5,648	5,457
The share of the net assets calculated by the share of atake	1,130	1,091
Adjusting events		
— goodwill		
— unrealized profit resulting from intra-group trade		
— others		
The book value of equity investments in associations	1,130	1,091
The fair value of the equity investments in associations which exist the public offer		
Operating revenue	1,027	859
Finance costs	(1)	(1)
Income tax expenses	171	187
Net profit	520	538
Net profit from discontinued operations		
Other comprehensive income	25	(48)
<b>The total of comprehensive income</b>	<b>545</b>	490
Dividends received from associations this year	124	

**8. INTERESTS IN OTHER ENTITIES (Continued)****2. Interests in joint ventures or associates (Continued)**

(d) The accounting treatment of the unimportant joint ventures and associations

Items	Closing date/ the date occurred in this year	Opening date/ the date occurred in last year
<b>associations:</b>		
The book value of equity investments	447	385
The followings are calculated by shares		
– net profit	18	17
– Other comprehensive income		
–The total of comprehensive income	18	17
<b>Joint ventures:</b>		
The book value of equity investments	274	155
The followings are calculated by shares		
– net profit	19	19
– Other comprehensive income		
– The total of comprehensive income	19	19

**9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS**

The Group's principal financial instruments comprise equity investment, debt investments, loans, accounts receivable, accounts payable, bonds payable and cash and cash equivalents etc. the details of the financial instruments described in Note 6. Risks associated with these financial instruments, as well as the Group's risk management policies to mitigate these risks are described as below. The group's management controlled these exposures within certain limits by management and monetary.

The sensitivity analysis techniques are adopted by the Group to analyze the reasonability of risk variables, and the effects of the changes on profit or loss or shareholders' equity. The risk variables seldom changes individually, and the changes of one risk variables may have a significant effect on the amount of the other with a correlation, therefore, the following content is based on the assumption that changes of each variable is independent.

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (a) The objectives and policies of risk management

The Group's objective in risk management is to achieve balance between the risks and benefits, to reduce the risk's negative impact to the lowest level and maximize the interests of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Group's risk management is to identify and analyze the risks faced by the Group, to establish an appropriate baseline for risk tolerance and risk management, to monitor a variety of risk timely and reliably, and to control the risk within a limited range.

#### 1. Market risk

##### (i) Exchange risk

Foreign exchange risk refers to the risk of loss due to the fluctuations of exchange rate. The foreign exchange risk of the Group exposed is mainly related to the US dollar and the EUR. Besides the following assets or liabilities in US dollars and euros at 31 December 2014, other assets and liabilities of the Group are denominated in RMB balances.

Items	Closing date	Opening date
Bank deposits ( <i>dollar</i> )	<b>74.86</b>	
Short-term loans ( <i>dollar</i> )	<b>400,000,000.00</b>	10,000,000.00
Non-current liabilities due within one year ( <i>euro</i> )	<b>123,946.76</b>	123,946.76
Long-term borrowings ( <i>euro</i> )	<b>247,893.57</b>	371,840.33

The Group settled its account receivables and payables, arising from product exported and raw materials and engineering equipment imported, with the import and export agents by a fixed contract exchange rate, therefore, there is no significant foreign currency risk in transactions of the Group.

**9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)****(a) The objectives and policies of risk management (Continued)**

## 1. Market risk (Continued)

## (i) Exchange risk (Continued)

A. On 31 December 2014, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6 (1,14,22,24)

B. The Group's main foreign exchange rates applicable as follows:

Item	Average exchange rate		Middle exchange rate on the reporting date	
	2014	2013	2014	2013
dollar	6.1453	6.1896	6.1190	6.0969
euro	8.1255	8.2396	7.4556	8.4189

C. Sensitivity analysis

On 31 December 2014, the situation of the increased of the exchange rate by 1% would resulted in an increase (decrease) in net equity and profit or loss of the group's shareholders are as follows:

Unit: RMB million

date	item	Impact on profits	Impact on shareholders' equity
31 December 2014	dollar euro	(18)	(18)
31 December 2013	dollar euro		

As of 31 December 2014, under the assumption that all other variables remain the same premise, if the RMB against the USD and euro exchange rate reduced by 1% would result in the same amount of change in shareholders' equity and net profit on the table above, whereas in the opposite direction.

### 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

#### (a) The objectives and policies of risk management *(Continued)*

1. Market risk *(Continued)*

(i) Exchange risk *(Continued)*

The sensitivity analysis above is based on the assumption that changes in the exchange rate on the balance sheet date, and this change applies to the Group's entire derivative and non-derivative financial instruments. 1% change is based on the reasonable projection for exchange rate from the Group's balance sheet date to the next balance sheet date. 2013 analysis based on the same assumptions.

(ii) Interest rate risk

The Group's interest-bearing financial instruments on 31 December 2014, please refer to notes 6(1, 14, 22, 23, 24 and 25)

#### **Sensitivity analysis:**

The principles of the Group's interest rate risk management aim to reduce the impact of short-term fluctuations on the Group's profits. However, in the long term, permanent changes in interest rates will affect profits.

As of 31 December 2014, with all other variables held constant, assuming that the interest rate of bank deposits, available for sale financial assets, short-term borrowings, non-current liabilities due within one year, short-term bonds, long-term loans and bonds payable increase 1 percentage point, would result in RMB172 million decrease (2013: RMB136 million) of the Group's net income and shareholders' equity

The sensitivity analysis above is based on the assumption that changes in the exchange rate on the balance sheet date, and this change applies to all of the Group's derivative and non-derivative financial instruments. 1 percentage point change is based on the reasonable expectations for exchange rate among the Group's balance sheet date to the next balance sheet date. 2013 analysis is based on the same assumptions.

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (a) The objectives and policies of risk management *(Continued)*

#### 2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the other party. The Group's credit risk is primarily attributable to receivables. Management will continue to review the credit risk exposure.

For receivables, the Group has established a credit policy under the actual situation, the amount of credit is determined by the customer's credit assessments. The Group requires most customers to pay the full amount in cash or notes of the products before the delivery. The accounts receivable associated with the customers is mature within 1-4 months since the bills issued. The debtor overdue more than one month will be required to settle all the outstanding balances before any further credit. Under normal circumstances, the Group does not require collateral from customers.

The majority of the Group's customers have business tractions with the Group for many years, losses are infrequently occurred. The Group analyzed the aging, maturity and other customer information in order to monitor the Group's credit risk.

There is no significant impairment and overdue receivables as of 31 December 2014.

Due to the accounts receivables of the top five customers, which are accounted for 42% of the receivables and other receivables at the balance sheet date (2013: 76%), the Group may face a certain degree of credit risk concentration.

The maximum credit risk exposure faced by the Group is the book value of the financial assets in the balance sheet. There is no any guarantee for the credit risk of the Group.

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### (a) The objectives and policies of risk management (Continued)

#### 3. Liquidity risk

The Group is responsible for its own cash management to cover expected cash demands including the short-term investments by using the cash surpluses and loans. The Group's policy is to monitor short-term and long-term liquidity requirements regularly and whether is in compliance with the loan agreements, to ensure that it maintains sufficient cash reserves and readily realizable securities, and to maintain sufficient funds of major committed financial institutions to meet short-term and longer-term liquidity needs.

The repayment date of the Group's long-term debts, please refer to Note 6(24).

## 10. DISCLOSURE OF THE FAIR VALUE

The book value of financial assets and financial liabilities of the Group presented in the consolidated financial statements is similar to its fair value, except for the Notes 6(7).

The fair value measurement is classified into three hierarchies, the disclosures are as follows:

Level 1: The quoted price (unadjusted) in dynamic market for identical asset or liability.

Level 2: Inputs other than quoted price included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The unobservable inputs for asset or liability (unobservable inputs).

Item	the fair value at the end of the year			total
	The fair value measured at first level	The fair value measured at second level	The fair value measured at third level	
Available-for-sale financial assets	96			96

Item	the fair value at the end of the year			total
	The fair value measured at first level	The fair value measured at second level	The fair value measured at third level	
Available-for-sale financial assets	56			56

# Notes To The Financial Statements *(continued)*

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## 11. RELATED PARTIES AND RALATED PARTY TRANSACTIONS

### (1) INFORMATION ON THE PARENT OF THE COMPANY

Group name	Related relationship	Group Type	Registration place	Legal representatives	The nature of business
Angang Holding	Parent Company	State owned Company	Tie Xi District Anshan Liaoning Province	Zhang Xiaogang	Production and sale of steel and metal products, steel filament Tubes, and metal structures

Group name	Registered Capital	The Group's shareholding	Proportion of voting-right	Ultimate controlling party	Organization Code
Angang Holding	10,794	67.29	67.29	Angang Group Corporation	24142001-4

### (2) INFORMATION ON THE SUBSIDIARIES OF THE COMPANY

Disclosed in Note 8(1). Interest in the subsidiary

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

Disclosed in Note 8.(2) Interests in joint ventures and associates.



11. RELATED PARTIES AND RALATED PARTY TRANSACTIONS (Continued)

(4) RELATED PARTIES WITHOUT CONTROL RELATIONSHIP

Name of enterprise	Relation with the Company	Organization code
ANSC-TKS	Joint venture	71093688-2
ANSC-Dachuan	Joint venture	75990387-0
TKAS-SSC	Joint venture	78592605-6
Changchun FAM	Joint venture	76717649-0
Chongqing automotive steel	Joint venture	09453042-3
TKAS	Associate	76715978-9
Angang Finance	Associate	1188857-2
Nansha Logistical	Associate	57995211-4
Anshan Jingu	Associate	31138104-X
Shanghai Chemical	Associate	57078986-7
Falan Packing	Fellow subsidiary of Angang Holding	57090841-6
Angang Group International Economic Trading Corporation* ("Angang Trade")	Fellow subsidiary of Angang Holding	24142372-5
Angang Construction Group	Fellow subsidiary of Angang Holding	94129158-3
Angang Heavy Machine Co., Ltd	Fellow subsidiary of Angang Holding	24150326-6
Angang Fire-resistant Material Co., Ltd	Fellow subsidiary of Angang Holding	94126547-3
Angang Steel Rope Co., Ltd.	Fellow subsidiary of Angang Holding	94126496-4
Angang Mining Co., Ltd	Fellow subsidiary of Angang Holding	24150404-X
Angang Entity Group	Fellow subsidiary of Angang Holding	24142765-4
Angang House Property Co., Ltd	Fellow subsidiary of Angang Holding	94126840-4
Angang Railway Transport Facilities Construction Co., Ltd	Fellow subsidiary of Angang Holding	94121854-6
Angang Real Estate Development Co., Ltd	Fellow subsidiary of Angang Holding	11886337-0
Angang mechanization loading Co., Ltd	Fellow subsidiary of Angang Holding	94126489-2
Angang Mining Construction Co.	Fellow subsidiary of Angang Holding	66455726-6
Angang Engineering Technology Co., Ltd	Fellow subsidiary of Angang Holding	79159132-8
Angang Electric Co., Ltd	Fellow subsidiary of Angang Holding	94126485-X
Angang Automatism Co., Ltd	Fellow subsidiary of Angang Holding	94126643-3
Angang Auto Transport Co., Ltd	Fellow subsidiary of Angang Holding	94126444-6
Angang Reception Service Co., Ltd	Fellow subsidiary of Angang Holding	94121967-X
Anshan Iron and Steel Group Co., Ltd. Chaoyang	Fellow subsidiary of Angang Holding	66456099-1
Tianjing Tiantie	Fellow subsidiary of Angang Holding	75224243-2
Pangang Steel Vanadium and Titanium Co., Ltd	Fellow subsidiary of Angang Group Company	20436095-6
Pangang Steel Metallurgical Engineering Technology Co., Ltd	Fellow subsidiary of Angang Group Company	20436391-1
Pangang Steel Chengdu Steel Vanadium co., Ltd	Fellow subsidiary of Angang Group Company	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

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) RELATED-PARTY TRANSACTIONS

(a) Related-party transactions within Angang Holding

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

Contents	Pricing Policy	This Year		Last Year	
		Amount	Percent of similar trade (%)	Amount	Percent of similar trade (%)
Raw materials	Note. I	14,134	48	14,458	47
Steel products	Note. ii	300	100	79	100
Supplementary materials	Note. ii	2,326	33	1,966	29
Energy and power supplies	Note. iii	1,826	32	1,591	29
Support services	Note. iv	5,104	52	4,260	51
<b>Total</b>		<b>23,690</b>		<b>22,354</b>	

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

Contents	Pricing Policy	This Year		Last Year	
		Amount	Percent of similar trade (%)	Amount	Percent of similar trade (%)
Products	Note.v	3,884	5	3,236	4
Scrap steel and materials	Note.v	177	95	142	92
General services	Note.vi	750	38	722	41
<b>Total</b>		<b>4,811</b>		<b>4,100</b>	

**11. RELATED PARTIES AND RALATED PARTY TRANSACTIONS (Continued)**

**(5) RELATED-PARTY TRANSACTIONS**

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

**Related-party transactions on Procurement of Goods and Services**

Contents	Pricing Policy	This Year		Last Year	
		Amount	Percent of related transactions	Amount	Percent of related transactions (%)
Raw materials	Note. I	1,490	7	1,363	4
Total		1,490		1,363	

- 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 RMB10 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 reference price is the summation of reference price and harbor freight margin. (Reference price refers to 65% (Suitable for standard products) or 62% (for low-standard products) of the Platts published by "SBB Steel Markets Daily" on the month when complete the loading or 65% (Suitable for standard products) or the mean of the midpoint price provide by CFR North China (Qingdao port) midpoint price (Denominated in cents) divided by 65 (for standard products) or 62 (for low-standard products). The harbor freight margin means dry tocean freight margin from Qingdao port to Bayuquan which is divided by 65 (for standard products) or 62 (for low-standard products), scrap, billets, alloys and non-ferrous metal are purchased at market prices;
- ii. The purchasing prices are not higher than the average prices charged to independent customers.
- iii. Mainly at state prices, or operating costs plus 5% of gross profit margin.

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

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

*Notes: (Continued)*

- iv. At state prices, or market prices, or not higher than 1.5% of the commissions, or depreciation fees and maintenance costs, or labour, materials and management fees, or processing costs plus no more than 5% of the gross margin.
  - v. Steel products and scrap materials are mainly at selling prices based on the average prices charged to independent customers for the preceding month or market prices. The basis of the price of steel products offered to Angang Holding for development of new products is, if there is market price, at the market price, if there is no market price, at the cost plus a reasonable profit. The minus sieve powder is at prices for sintered iron ore less the cost of sintering procedures performed by Angang Holding. Retired assets and idle assets are mainly at market prices or assessed prices.
  - vi. At the state prices, or operating costs plus 5% of gross profit margin, or market prices.
- (c) Guarantee of loans

Warrantor	Warranty	Amount			Whether fulfilled
		Guaranteed	Starting date	Expiring date	
Angang Holding	Angang Hefei	21	5 May 2013	6 September 2016	No
Angang Holding	Angang Dalian	30	23 July 2014	31 December 2017	No
Angang Group Company	The audited company	5,998	27 January 2014	11 September 2015	No

**11. RELATED PARTIES AND RALATED PARTY TRANSACTIONS (Continued)**

**(5) RELATED-PARTY TRANSACTIONS (Continued)**

(d) Other related-party transactions

(i) Service from sales agent

For the year 2014, the amount of domestic and export sales agent service provided Angang Trade were 0 million tons and 2.51 million tons respectively (0.59 million tons and 1.73 million tons respectively for the year 2013).

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

A. Sales of products

Name of enterprise	Sales in this year	Sales in Last year
ANSC-TKS	<b>4,350</b>	3,939
TKAS-SSC	<b>288</b>	274
Changchun FAM	<b>87</b>	46
TKAS	<b>40</b>	59
Binhai Industry	<b>29</b>	35

B. Service of sales agent

The amount paid to TKAS-SSC for their sales agent service was RMB2 million for the year 2014 (RMB2 million for the year 2013).

(iii) Acquisition of assets

The Company acquired sintering equipment from Angang Holding valued RMB51 million from Angang group and inspecting tools and equipment valued RMB59 million from the inspecting and repairing center, subordinate unit of Angang Holding respectively.

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** *(Continued)***(5) RELATED-PARTY TRANSACTIONS** *(Continued)*(d) Other related-party transactions *(Continued)*

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

Items	Annual interest rate	Opening balance	Increment	Decrement	Closing balance	Terms of credit
Loans	5.4-6.44	1,711		1,690	21	Guarantee Loans
Deposit		768			766	

In 2014, the Group's interest income of deposit in Angang Finance was RMB7 million (for the year 2013: RMB7 million) and the interest expenditure for loans from Angang finance was RMB52 million (for the year 2013: RMB171 million). The highest daily deposit in Angang Finance in 2014 was RMB3,426 million (for the years end 2013: 5,686 million).

(v) Loan and interest paid to Angang Holding

Items	Annual interest rate	Opening balance	Increment	Decrement	Closing balance	Terms of credit
Loan	5.4		715		715	Credit Loan

The Angang Holding entrusted the Angang Finance to grant and manage the loans, and the loan interests expenditure in 2014 was RMB6 million (for the year 2013 was RMB31 million).

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**

**(5) RELATED-PARTY TRANSACTIONS (Continued)**

(e) Remuneration of the directors, supervisors and senior management

Items	2014	2013
Directors' fees	0.38	0.33
Other remuneration:		
Salaries, allowances and non-cash amount of interest	2.17	2.92
Performance-related bonus		
Equity-settled share option expenses	0.43	0.56
Pension plan contributions	0.44	0.60
other remuneration	3.04	4.08
Total	3.42	4.41

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel

Name	Accounts in this year					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance-related bonus	Equity-settled share option expenses	Pension plan contributions	
<b>Executive directors:</b>						
Xiaogang Zhang						
Fuping Tang						
Hua Yang						
Yidong Wang		0.48		0.08	0.10	0.66
Lianyong Ma		0.32		0.06	0.06	0.44
Subtotal for executive directors		0.80		0.14	0.16	1.10

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) RELATED-PARTY TRANSACTIONS *(Continued)*

(e) Remuneration of the directors, supervisors and senior management *(Continued)*

Name	Accounts in this year				Total	
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance-related bonus	Equity-settled share option expenses		Pension plan contributions
<b>Non-executive directors:</b>						
Fangzheng Chen	0.09					0.09
Xuanhui Qu	0.09					0.09
Zhengdong Liu (appointed on 4 June 2014)	0.05					0.05
Chau Chi Wai, Wilton (appointed on 4 June 2014)	0.05					0.05
Shijun Li (appointed on 4 June 2014)	0.05					0.05
Kwong Chi Kit, Victor (departured on 4 June 2014)	0.05					0.05
Subtotal for non-executive directors	0.38					0.38
<b>Supervisors:</b>						
Zhiwu Xu						
Jun Song (appointed on 14 October 2014)		0.36		0.07	0.07	0.50
Hai Bai		0.10		0.04	0.02	0.16
Mingyi Shan (appointed on 14 October 2014)						
Subtotal for supervisors		0.46		0.11	0.09	0.66
<b>Senior management</b>						
Lifen Zhang		0.32		0.06	0.07	0.45
Zipping Ren		0.32		0.06	0.07	0.45
Jun Liu		0.27		0.06	0.05	0.38
Subtotal for Senior management		0.91		0.18	0.19	1.28
Total	0.38	2.17		0.43	0.44	3.42



11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) RELATED-PARTY TRANSACTIONS (Continued)

(e) Remuneration of the directors, supervisors and senior management (Continued)

Name	Accounts in last year					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance -related bonus	Equity-settled share option expenses	Pension plan contributions	
<b>Executive directors:</b>						
Xiaogang Zhang						
Fuping Tang						
Hua Yang						
Yidong Wang		0.39		0.07	0.08	0.54
Lianyong Ma		0.37		0.07	0.08	0.52
Ming Chen (departured on 29 August 2013)		0.21		0.04	0.04	0.29
Wanyuan Yu (departured on 8 July 2013)						
Jihui Fu (departured on 15 May 2013)		0.11		0.01	0.02	0.14
Subtotal for executive directors		1.08		0.19	0.22	1.49
<b>Non-executive directors:</b>						
Shijun Li	0.09					0.09
Kwong Chi Kit, Victor	0.09					0.09
Fangzheng Chen	0.05					0.05
Xuanhui Qu	0.05					0.05
Guoqiang Ma (departured on 8 July 2013)	0.05					0.05
Subtotal for non-executive directors	0.33					0.33

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) RELATED-PARTY TRANSACTIONS *(Continued)*

(e) Remuneration of the directors, supervisors and senior management *(Continued)*

Name	Accounts in last year					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance -related bonus	Equity-settled share option expenses	Pension plan contributions	
<b>Supervisors:</b>						
Zhiwu Xu (appointed on 31 December 2013)						
Mingyi Shan		0.35		0.07	0.07	0.49
Hai Bai		0.09		0.02	0.02	0.13
Wensheng Su (departured on 31 December 2013)						
Subtotal for supervisors		0.44		0.09	0.09	0.62
<b>Senior management</b>						
Lifen Zhang		0.37		0.07	0.08	0.52
Ziping Ren		0.36		0.07	0.07	0.50
Baoshan Liu (departure on 8 July 2013)		0.27		0.05	0.06	0.38
Jun Liu (appointed on 27 March 2013)		0.21		0.05	0.04	0.30
Guofeng Chen (departured on 29 August 2013)		0.19		0.04	0.04	0.27
Subtotal for senior management		1.40		0.28	0.29	1.97
Total	0.33	2.92		0.56	0.60	4.41

Note: None of the directors, supervisors or senior managers agreed to waive the payment agreement in this year.

The top five highest-paid employees consists of two directors, one supervisor and two senior managers (the same with 2013). Their remunerations are set out in detail above.

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**

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

(a) Account receivables and prepayments

Items	Closing balance	Opening balance
<b>Account receivables</b>		
Angang Trade	131	675
Angang Chaoyang	233	384
TKAS-SSC	77	108
Angang Construction Group	9	21
Anshan Jidong Cement Co., Ltd	48	13
Pangang Steel Chengdu Steel Vanadium Co., Ltd	8	3
Angang Engineering Technology Co., Ltd	5	
Angang Holding	5	
Angang Steel Rope Co., Ltd.	14	
Angang Heavy Machinery Co., Ltd.	19	
Other Related Parties	2	1
Total	551	1,205
<b>Prepayment</b>		
Angang Trade	2,035	2,063
Angang Engineering Technology Co., Ltd	385	108
Angang Chaoyang	87	92
Pangang Steel Metallurgical Engineering Technology Co., Ltd		26
Angang Construction Group	23	26
Angang Heavy Machine Co., Ltd	78	12
Angang Mining Construction Co.	3	7
Pangang Steel Chengdu Steel Vanadium Co., Ltd		18
Anshan Iron and Steel Group Information Industry Co., Ltd.	41	
Angang Automatism Co., Ltd	6	
Total	2,658	2,352
<b>Other receivables</b>		
Angang Construction Group		1
Total		1

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 11. 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
<b>Account payables</b>		
Angang Trade	3,504	8,783
Angang Construction Group	35	43
Angang Entity Group	61	40
Angang Heavy machine Co., Ltd	20	22
ANSC-Dachuan	29	17
Angang Mining Construction Co., Ltd	17	15
Angang Chaoyang	59	12
Angang Automatism Co., Ltd	11	9
Angang Electric Co., Ltd	10	8
Angang Real Estate Development Co., Ltd	4	8
Falan Packing	8	8
Angang Auto Transport Co., Ltd	15	7
Angang Holding	5	6
Angang Mining Co., Ltd		5
Angang Railway Transport Facilities Construction Co., Ltd	6	3
Angang Steel Rope Co., Ltd.	3	3
Angang Engineering Technology Co., Ltd	4	1
Tianjin Tiantie	107	
ANSC-TKS	81	
Other Related Parties	2	
Total	3,981	8,990

**11. 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
<b>Receivables in advance</b>		
ANSC-TKS	124	61
Angang Steel Rope Co., Ltd.		9
Angang Mining Co., Ltd	12	9
Angang Construction Group		1
Angang Entity Group	21	6
Falan Packing	16	6
Angang Holding	5	10
Changchun FAM		11
TKAS	3	18
Tianjing tiantie		59
Angang Trade	53	
Angang Heavy machine Co., Ltd	4	
Angang Mining Construction Co., Ltd	1	
Total	239	190
<b>Other payables</b>		
Angang Holding		366
Angang Engineering Technology Co., Ltd	166	121
Angang Construction Group	81	79
Angang Trade	29	39
Angang Automatism Co., Ltd	45	32
Angang Mine Construction Co., Ltd	35	23
Angang Entity Group	42	22
Angang Heavy Machine Co., Ltd	24	11
Angang Auto Transport Co., Ltd		6
Angang Electric Co., Ltd	11	5
Angang Real Estate Development Co., Ltd		3
Angang Railway Transport Facilities Construction Co., Ltd	3	1
Panzhuhua, Panzhuhua Iron and Steel Group Design Institute Co., Ltd.	7	
Other Related Parties	2	4
Total	445	712

# Notes To The Financial Statements *(continued)*

For the year 2014  
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## 12. SHARE-BASED PAYMENT

As at 31 December 2014, there is no share based payment transaction need to be disclosed.

## 13. COMMITMENTS

### (1) SIGNIFICANT COMMITMENTS

Items	2014	2013
External investment contracts entered but not yet performed or performed partially	158	1,402
Construction and renovation contracts entered but not yet performed or performed partially	5,007	3,022
Total	5,165	4,424

### (2) CONTINGENCIES

As at 31 December 2014, there were no contingencies to be disclosed.

## 14. SUBSEQUENT EVENTS

- (1) The Board of Directors proposed cash dividend distribution after the balance sheet date, please refer to Notes 6(33)(b).
- (2) On February 13 2015, the proposal, the company carrying out the commodity future hedging business, was approved by the 6th meeting of the Board of Directors, which means the company will carry out hedging business in accordance with the newly issued "Angang Steel Company Limited commodity Future Hedging management approach" in 2015.
  - (a) to control the business risk effectively;
  - (b) to improve the company's ability against market volatility; and
  - (c) to hedge the company's stock price risk of the original purchase of fuel and the sale of steel products, (d) to achieve the purpose of locking a reasonable profit. The Company will carry out the hedging operations in 2015 in accordance with the newly developed "Angang Steel Company Limited commodity Future Hedging management approach".

Hedged target is limited to 20% of the total scale of sales and procurement, and the hedging amount of sales and procurement in 2015 is approximately 250,000 tons of steel and 1,200,000 tons of raw materials respectively. Security deposit is determined by the highest futures position and it is 50 million yuan in 2015.

## 15. OTHER SIGNIFICANT INSTRUCTIONS

As at 31 December 2014, there were no other significant instructions need to be disclosed.

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS

### (1) ACCOUNTS RECEIVABLE

#### (a) Accounts receivable by category

Items	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Accounts receivable with amounts that are individually significant and subject to separate assessment for bad debts provision	2,669	85		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	454	15	1	100
<b>Total</b>	<b>3,123</b>	<b>100</b>	1	100

Type	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Accounts receivable with amounts that are individually significant and subject to separate assessment for bad debts provision	2,894	93		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	208	7		
<b>Total</b>	<b>3,102</b>	<b>100</b>		

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

## (b) Aging analysis of accounts receivable

Item	Closing balance			
	Book balance		Bad debts provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	2,981	95		
1 to 2 years	141	5		
2 to 3 years				
Over 3 years	1		1	100
Total	3,123	100	1	100

Item	Opening balance			
	Book balance		Bad debts provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,096	100		
1 to 2 years	5			
2 to 3 years				
Over 3 years	1			
Total	3,102	100		

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

By judgment of the management, majority of accounts receivables could be recovered and debtor's solvency is reliable, so bad debt provision is relatively low.

## (d) The condition of accounts receivable of the top five debtors by the balances at the end of the year.

The accounts receivable balance of top five debtors was RMB780 million, accounting for 42% of the balance at the end of the year, and bad debt provision of which was 0 in total.



16. 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 amounts that are individually significant and subject to separate assessment for bad debts provision				
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	17	100		
<b>Total</b>	<b>17</b>	<b>100</b>		

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	17	100		
<b>Total</b>	<b>17</b>	<b>100</b>		

# Notes To The Financial Statements *(continued)*

For the year 2014  
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unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS *(Continued)*

### (2) OTHER RECEIVABLES *(Continued)*

- (b) Classification of other receivable according to the nature

Other accounts receivable	Closing book value	Opening book value
Petty cash	6	6
Other	11	11
Total	17	17

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

By judgment of the management, majority of accounts receivables could be recovered and debtor's solvency is reliable, so bad debt provision is relatively low.

### (3) LONG-TERM EQUITY INVESTMENTS

- (a) Types of long-term equity investments

Items	Closing date			Opening date		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	1,592		1,592	587		587
Investments in joint ventures and associates	3,135		3,135	2,434		2,434
Total	4,727		4,727	3,021		3,021

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

(3) LONG-TERM EQUITY INVESTMENTS (Continued)

(b) Investments in subsidiaries

The invested company	Opening date	increase	decrease	Closing date	Provision for impairment	The closing date of provision for impairment
Angang Wuhan	108	69		177		
Angang Hefei	98	4		102		
Angang Guangzhou	60			60		
Shenyang Trading	24	3		27		
Shanghai Trading	6	3		9		
Tianjin Trading	6	3		9		
Chengdu Trading	1			1		
Guangzhou Trading	18	3		21		
Angang Shenyang	98			98		
Angang Weifang						
Angang Shanghai	19			19		
Angang Tianjin	27			27		
Angang Dalian	110	90		200		
Ningbo Trading	6			6		
Yantai Trading	6			6		
Kobelco Angang		357		357		
Angang Guangzhou Automotive		350		350		
Angang Zhengzhou		123		123		
Total	587	1,005		1,592		

(c) Investments for the joint ventures and associates

See Note 6(8).

# Notes To The Financial Statements *(continued)*

For the year 2014  
(Expressed in million RMB  
unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS *(Continued)*

### (4) OPERATING INCOME AND OPERATING COST

Items	This period	Last period
Prime operating income	<b>73,499</b>	75,347
Other operating income	<b>269</b>	228
Total	<b>73,768</b>	75,575
Prime operating cost	<b>65,088</b>	67,085
Other operating cost	<b>146</b>	154
Total	<b>65,234</b>	67,239

### (5) INVESTMENT INCOME

Items	This period	Last period
The investment income during the period when held the available-for-sale financial assets	<b>86</b>	1
Long-term equity investment income measured at equity method	<b>587</b>	533
Investment income from disposal of long-term equity investments		(590)
Total	<b>673</b>	(56)

Note: The investment income in last year and during this year was from non-listed companies.

### 17. NET CURRENT ASSETS

<b>Items</b>	<b>Closing balance</b>	Opening balance
Current assets	<b>26,624</b>	29,299
Less: current liabilities	<b>36,751</b>	37,804
Net current assets/(liabilities)	<b>(10,127)</b>	(8,505)

### 18. TOTAL ASSETS LESS CURRENT LIABILITIES

<b>Items</b>	<b>Closing balance</b>	Opening balance
Total assets	<b>91,291</b>	92,865
Less: current liabilities	<b>36,751</b>	37,804
Total assets less current liabilities	<b>54,540</b>	55,061

# Notes To The Financial Statements *(continued)*

For the year 2014  
(Expressed in million RMB  
unless otherwise indicated)

## 19. SUPPLEMENTARY DOCUMENTS

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

Items	This period	Last period
Gains/losses from disposal of non-current assets	<b>(81)</b>	(9)
Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies	<b>101</b>	113
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 revenue and expenses except those mentioned above	<b>(6)</b>	(2)
Other Non-recurring gains/losses		
subtotal	<b>14</b>	100
Effect on taxation	<b>(3)</b>	(25)
Effect on minority interest (after tax)		
Total	<b>11</b>	75

Extraordinary items were recognized in complies with the requirements of No. 1 Interpretative announcement of Information disclosures of Companies Publicly issued securities, extraordinary items (CSRC' announcement [2008] No. 43)

## 19. SUPPLEMENTARY DOCUMENTS (Continued)

### (2) ROE AND EPS

Profit in this period	Weighted average (ROE) (%)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shares	1.96	0.128	0.128
Net profit (exclusive of non-operating profit) attributable to ordinary shares	1.93	0.127	0.127

### (3) Additional information related to changes in accounting policies

According to Accounting Standards for Enterprises No. 2 long-term equity investments (2014 revision) and the other 8 accounting standards, the group conducted a retrospective restatement to the comparative financial data due to changes in accounting policy. Restated Consolidated balance sheets of January 1, 2013, December 31, 2013 and December 31, 2014 set out below.

Items	1 January 2013	31 December 2013	31 December 2014
<b>Current assets:</b>			
Cash at bank and on hand	3,123	1,126	<b>1,712</b>
Financial assets at fair value through profit or loss			
Notes receivable	9,388	10,623	<b>8,607</b>
Accounts receivable	1,895	2,134	<b>1,835</b>
Prepayments	2,966	3,042	<b>3,587</b>
Dividends receivable	7		
Other receivables	73	18	<b>18</b>
Inventories	11,498	12,356	<b>10,865</b>
Non-current assets due within 1 year			
Other current assets	8		
<b>Total current assets</b>	<b>28,958</b>	<b>29,299</b>	<b>26,624</b>

# Notes To The Financial Statements *(continued)*

For the year 2014  
(Expressed in million RMB  
unless otherwise indicated)

## 19. SUPPLEMENTARY DOCUMENTS *(Continued)*

### (3) Additional information related to changes in accounting policies *(Continued)*

Items	1 January 2013	31 December 2013	31 December 2014
<b>Non-current assets:</b>			
Available-for-sale financial assets	564	750	<b>869</b>
Long-term equity investments	2,248	2,434	<b>3,135</b>
Investment properties			
Fixed assets	51,308	45,452	<b>46,122</b>
Construction in progress	9,751	5,756	<b>5,933</b>
Construction material	243	26	<b>38</b>
Intangible assets	6,759	6,147	<b>6,234</b>
Long-term deferred expenses			
Deferred income tax assets	3,506	3,001	<b>2,336</b>
Other non-current assets			
<b>Total non-current assets</b>	74,379	63,566	<b>64,667</b>
<b>Total assets</b>	103,337	92,865	<b>91,291</b>



19. SUPPLEMENTARY DOCUMENTS (Continued)

(3) Additional information related to changes in accounting policies  
 (Continued)

Items	1 January 2013	31 December 2013	31 December 2014
<b>Current liabilities:</b>			
Short-term loans	15,130	9,241	14,672
Notes payable	3,343	47	356
Accounts payable	5,866	15,343	8,289
Advances from customers	5,520	4,031	3,332
Employee benefits payable	313	281	228
Tax and surcharges payable	(1,356)	(550)	76
Interests payables	96	196	203
Other payables	2,678	1,944	1,894
Non-current liabilities due within 1 year	7,501	1,271	1,701
Other current liabilities	6,000	6,000	6,000
<b>Total current liabilities</b>	45,091	37,804	36,751
<b>Non-current liabilities:</b>			
Long-term loans	8,364	3,044	1,371
Bonds payable		3,971	3,983
Long-term employee benefits payable	7	3	1
Deferred income	813	933	969
Deferred income tax liabilities	29	20	20
Other non-current liabilities			
<b>Total non-current liabilities</b>	9,213	7,971	6,344
<b>Total liabilities</b>	54,304	45,775	43,095

# Notes To The Financial Statements *(continued)*

For the year 2014  
(Expressed in million RMB  
unless otherwise indicated)

## 19. SUPPLEMENTARY DOCUMENTS *(Continued)*

### (3) Additional information related to changes in accounting policies *(Continued)*

Items	1 January 2013	31 December 2013	31 December 2014
<b>Shareholders' equity:</b>			
Share capital	7,235	7,235	<b>7,235</b>
Capital reserve	32,065	31,155	<b>31,154</b>
Other comprehensive income	15	(19)	<b>7</b>
Special reserve	44	21	<b>30</b>
Surplus reserve	3,580	3,580	<b>3,580</b>
Undistributed profit	4,419	5,054	<b>5,787</b>
Differences from translation of foreign currency			
<b>Subtotal of Shareholders' equity attributable to shareholders of parent company</b>	47,358	47,026	<b>47,793</b>
<b>Minority interests</b>	1,675	64	<b>403</b>
<b>Total shareholders' equity</b>	49,033	47,090	<b>48,196</b>
<b>Total liabilities and shareholders' equity</b>	103,337	92,865	<b>91,291</b>

For the year 2014  
(Expressed in million RMB  
unless otherwise indicated)

## Five-Year Summary

Unit: RMB' millions

	<b>2014</b>	2013	2012	2011	2010
Operating revenue	<b>74,046</b>	75,329	78,214	91,289	92,431
Net (loss)/profit	<b>924</b>	755	(4,252)	(2,159)	1,950
Total assets	<b>91,291</b>	92,865	103,337	105,013	105,114
Total liabilities	<b>(43,095)</b>	(45,775)	(54,304)	(51,841)	(49,769)
Net assets	<b>48,196</b>	47,090	49,033	53,172	55,345

# Other Relevant Corporate Information

## INCORPORATION:

	Date of incorporation	Place of incorporation	Registration number of legal person business license held by the Company	Taxation registration number	Organisation code
Initial incorporation	8 May 1997	396 Nan Zhong Hua Road, Tie Dong District, Anshan City, Liaoning Province	Qi Gu Han Zong Zi No. 00344	210302242669479	24266947-9
Incorporation as at the end of the Reporting Period	18 December 2014	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC	210000400006026	210302242669479	24266947-9

Changes in the main business of the Company since the Company's Listing	No changes in the main business
Changes of the Controlling Shareholder of the Company	None

## AUDITOR:

Name of auditor: Ruihua Certified Public Accountants (Special General Partnership)

Place of business of auditor: 3-9 F, China Overseas Property Plaza, Xi Binhe Road, Yong Ding Men, Dong Cheng District, Beijing, China

## REGISTERED ADDRESS OF THE COMPANY IN HONG KONG:

33/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

# Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

“A Share(s)”	ordinary share(s) issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in RMB;
“Angang Dalian”	Angang Steel Processing & Distribution (Dalian) Co., Ltd.* (鞍鋼鋼材加工配送(大連)有限公司);
“Angang Financial Company” or “Angang Finance”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司), a company incorporated in the PRC and a subsidiary of Angang Group Company;
“Angang Group”	Angang Group Company and its subsidiaries from time to time;
“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 Guangzhou”	Guangzhou Angang Steel Processing Co., Ltd.* (廣州鞍鋼鋼材加工有限公司);
“Angang Guangzhou Automotive”	Angang Guangzhou Automotive Steel Co., Ltd.* (鞍鋼廣州汽車鋼有限公司);
“Angang Hefei”	Angang Steel Distribution (Hefei) Co., Ltd.* (鞍鋼鋼材配送(合肥)有限公司);
“Angang Holding”	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), the immediate holding company of the Company, which currently holds approximately 67.29% of the equity interest of the Company and a major enterprise in the iron and steel industry of the PRC;
“Angang Holding Group”	Angang Holding and its subsidiaries from time to time;
“Angang Putian”	Angang Cold Rolled Steel Plate (Putian) Co., Limited* (鞍鋼冷軋鋼板(莆田)有限公司), a limited liability company incorporated in Putian, Fujian Province, the PRC in the business of steeling production, processing and distribution;
“Angang Shanghai”	Shanghai Angang Steel Processing Co., Ltd.* (上海鞍鋼鋼材加工有限公司);

## Definitions *(continued)*

“Angang Shenyang”	TKAS Angang Shenyang Steel Product Processing and Distribution Group Limited* (鞍鋼瀋陽鋼材加工配送有限公司);
“Angang Tianjin”	Tianjin Angang Steel Product Processing and Distribution Co., Ltd.* (天津鞍鋼鋼材加工配送有限公司);
“Angang Tiantie”	Tianjin Angang Tiantie Cold Rolled Sheets Co. Limited* (天津鞍鋼天鐵冷軋薄板有限公司);
“Angang Trade”	Angang Group International Economic Trading Corporation* (鞍鋼集團國際經濟貿易公司);
“Angang Weifang”	Weifang Angang Steel Processing And Distribution Co., Ltd.* (鞍鋼濰坊鋼材加工配送有限公司);
“Angang Wuhan”	Angang Steel Distribution (Wuhan) Co., Ltd.* (鞍鋼鋼材配送(武漢)有限公司);
“Angang Zhengzhou”	Angang Steel Processing and Distribution (Zhengzhou) Co., Ltd.* (鞍鋼鋼材加工配送(鄭州)有限公司);
“Anqian Mining”	Angang Group Anqian Mining Company Limited* (鞍鋼集團鞍千礦業有限責任公司), a company incorporated in the PRC and a wholly-owned subsidiary of Pangang Vanadium & Titanium;
“ANSC-Dachuan”	ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Co., Ltd.* (鞍鋼股份 — 大船重工大連鋼材加工配送有限公司);
“ANSC-TKS”	ANSC-TKS Galvanizing Co., Ltd.* (鞍鋼新軋 — 蒂森克虜伯鍍鋅鋼板有限公司);
“ANSI”	Angang New Steel and Iron Company Limited* (鞍鋼集團新鋼鐵有限責任公司), the former wholly-owned subsidiary of Angang Holding. In January 2006, the Company acquired the 100% equity interests of ANSI held by Angang Holding and cancelled the business registration of ANSI;
“associate”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Board”	the board of Directors;

## Definitions *(continued)*

“Changchun FAM”	Changchun FAM Steel Processing and Distribution Co., Ltd.* (長春一汽鞍井鋼材加工配送有限公司);
“Chengdu Trade”	Chengdu Angang International Trade Co., Ltd.* (成都鞍鋼國際貿易有限公司);
“Company”	Angang Steel Company Limited* (鞍鋼股份有限公司), a joint stock limited company incorporated in Anshan, Liaoning Province, the PRC, the H Shares of which are listed on the Hong Kong Stock Exchange and the A Shares of which are listed on the Shenzhen Stock Exchange;
“connected person”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 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 national securities markets in the PRC;
“Director(s)”	the director(s) of the Company;
“EPS”	earnings per share;
“Group”	the Company and its subsidiaries from time to time;
“Guangzhou Trade”	Guangzhou Angang International Trade Co., Ltd.* (廣州鞍鋼國際貿易有限公司);
“H Share(s)”	ordinary share(s) issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

## Definitions *(continued)*

“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;
“Kobelco Angang”	Kobelco Angang Auto Steel Co., Ltd* (鞍鋼神鋼冷軋高強汽車鋼板有限公司);
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules;
“Ningbo Trade”	Ningbo Angang International Trade Co., Ltd.* (寧波鞍鋼國際貿易有限公司);
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團鋼鐵鈮鈦股份有限公司), a company incorporated in the PRC with shares listed on the Shenzhen Stock Exchange;
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries from time to time;
“PRC”	the People’s Republic of China (for the purpose of this annual report, excluding Hong Kong and Macau Special Administrative Region);
“PRC ASBE”	Accounting Standards for Business Enterprises — Basic Standard and 41 Specific Standards issued by the Ministry of Finance of the PRC, and application guidance, bulletins and other relevant accounting regulations issued thereafter, collectively;
“Reporting Period”	the 12-month period from 1 January 2014 to 31 December 2014;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong);
“Supervisor(s)”	member(s) of the Supervisory Committee;
“Supervisory Committee”	the supervisory committee of the Company;



## Definitions *(continued)*

“Shanghai Trade”	Shanghai Angang International Trade Co., Ltd.* (上海鞍鋼國際貿易有限公司);
“Shenyang Trade”	Shenyang Angang International Trade Co., Ltd.* (瀋陽鞍鋼國際貿易有限公司);
“Tianjin Trade”	Tianjin Angang North International Trade Co., Ltd.* (天津鞍鋼國際北方貿易有限公司);
“TKAS”	ANSC-TKS (Changchun) Tailored Blanks Ltd.* (蒂森克虜伯鞍鋼(長春)激光拼焊板有限公司);
“TKAS-SSC”	ANSC-TKS Changchun Steel Logistics Co., Ltd.* (鞍鋼蒂森克虜伯鋼材配送(長春)有限公司);
“Yantai Trade”	Yantai Angang International Trade Co., Ltd (煙台鞍鋼國際貿易有限公司); and
“%”	per cent.

\* *For identification purpose only*

# Documents Available for Inspection

1. Financial statements signed by the Legal Representative, Chief Accountant and Comptroller of the Company and with seal affixed;
2. Original of the auditor's report sealed by Ruihua Certified Public Accountants and signed and sealed by certified public accountants;
3. Originals of all documents and manuscripts of announcements disclosed by the Company in the China Securities Journal and the Securities Times in 2014; and
4. Annual report of the Company submitted to the Hong Kong Stock Exchange.

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

**Angang Steel Company Limited\***

*The Board*

30 March 2015

*Note:* This report is prepared in both Chinese and English. In the event of any inconsistency between the Chinese and English language version, the Chinese version shall prevail to the extent of such inconsistency.



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