



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

Stock Code : 0347

# 2015

Interim Report



\* For identification purposes only

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# Important Notice and Definitions

## **IMPORTANT NOTICE**

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

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

The 2015 interim financial report of the Company is unaudited.

The 2015 interim financial report of the Company is prepared in accordance with the Accounting Standards for Business Enterprises in the PRC.

# Important Notice and Definitions *(continued)*

## DEFINITIONS

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

“Angang Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司), a company incorporated in the PRC and a subsidiary of Angang Group Company
“Angang Group”	Angang Group Company and its subsidiaries (excluding the Group)
“Angang Group Company”	Angang Group Company* (鞍鋼集團公司), a company incorporated in the PRC with limited liabilities, the ultimate controlling shareholder of the Company
“Angang Holding”	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), the immediate holding company of the Company, which currently holds approximately 67.29% of the equity interest in the Company, and a major enterprise in the iron and steel industry of the PRC
“Angang Putian”	Angang Cold Rolled Steel Plate (Putian) Co., Limited* (鞍鋼冷軋鋼板(莆田)有限公司), a limited liability company incorporated in Putian, Fujian Province, the PRC
“Angang Tiantie”	Tianjin Angang Tiantie Cold Rolled Sheets Co., Limited* (天津鞍鋼天鐵冷軋薄板有限公司), a company incorporated in Tianjin, the PRC
“Angang Trade”	Angang Group International Economic Trading Corporation* (鞍鋼集團國際經濟貿易公司), a company incorporated in the PRC and a wholly-owned subsidiary of Angang Holding

## Important Notice and Definitions *(continued)*

“ANSC-TKS”	ANSC-TKS Automobile Steel Company Ltd. (鞍鋼蒂森克虜伯汽車鋼有限公司)
“Board”	the board of Directors of the Company
“Company” or “Angang Steel”	Angang Steel Company Limited* (鞍鋼股份有限公司), a joint stock limited company incorporated in Anshan, Liaoning Province, the PRC, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shenzhen Stock Exchange
“connected person”	has the meaning ascribed thereto under Chapter 14A of the Hong Kong Listing Rules
“Xichang Steel & Vanadium”	Pangang Group Xichang Steel & Vanadium Company Limited* (攀鋼集團西昌鋼鈞有限公司)
“Chongqing Automobile Steel”	Angang Chongqing Highstrength Automobile Steel Co., Ltd.* (鞍鋼重慶高強汽車鋼有限公司)
“controlling shareholder”	has the meaning ascribed thereto under Chapter 1 of the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
“Director(s)”	the director(s) of the Company
“EPS”	earnings per share
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## Important Notice and 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
“Karara”	Karara Mining Limited (卡拉拉礦業有限公司*), a company incorporated with limited liability in the state of Western Australia, Australia
“Pangang Vanadium & Titanium”	Pangang Group Vanadium & Titanium Resources Co., Ltd.* (攀鋼集團鈮鈦資源股份有限公司), a company incorporated in the PRC with shares listed on the Shenzhen Stock Exchange
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries
“PRC”	the People’s Republic of China (for the purpose of this report, excluding Hong Kong and Macau Special Administrative Region)
“Reporting Period”	the six-month period ended 30 June 2015
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent

## I. CORPORATE INFORMATION

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

## II. CONTACT PERSONS AND CONTACT METHODS

	<b>Secretary to the Board</b>	<b>Securities Affairs Representative</b>
Name	Ma Lianyong	Jin Yimin
Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878	0412-8416578
Fax	0412-6722093	0412-6727772
Email	malianyong@ansteel.com.cn	ansteel@ansteel.com.cn

## **III. OTHER INFORMATION**

### **1. Contact methods of the Company**

There was no change in registered address, business address and postal code, website and email address of the Company during the Reporting Period. Please refer to 2014 Annual Report of the Company for details.

### **2. Information disclosure and place for inspection**

There was no change in Company's designated newspapers for disclosure of information, website for publication of interim report designated by the CSRC and place for inspection of the Company's interim report during the Reporting Period. Please refer to 2014 Annual Report of the Company for details.

### **3. Changes in registration**

There was no change in registration date and place of incorporation, registration number of legal person business license held by the Company, taxation registration number and organization code during the Reporting Period. Please refer to 2014 Annual Report of the Company for details.

### **4. Other relevant information**

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



# Summary of Accounting Figures and Financial Indicators

## I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP

Unit: RMB' million

	During the Reporting Period (from January to June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared with the corresponding period of the previous year (%)
Operating income	28,992	38,177	-24.06
Net profit attributable to the shareholders of the Company	155	577	-73.14
Net profit attributable to the shareholders of the Company after non-recurring items	95	544	-82.54
Basic earnings per share (RMB Yuan/share)	0.021	0.080	-73.75
Diluted earnings per share (RMB Yuan/share)	0.021	0.080	-73.75
Returns on net assets on weighted average basis (%)	0.32	1.22	Decreased by 0.9 percentage point
Net cash flow from operating activities	1,691	1,385	22.09
	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease as at the end of the Reporting Period as compared with the end of the previous year (%)
Total assets	90,998	91,291	-0.32
Equity (or shareholders' equity) attributable to the shareholders of the Company	48,023	47,793	0.48
Total share capital of the Company as of the trading day preceding the date of publication of this report	7,235	7,235	-

## II. NON-RECURRING ITEMS:

No.	Items	Effect on profit <i>(RMB million)</i>
1	Gains/losses from disposal of non-current assets	-1
2	Government subsidies (except for government subsidies which are closely related to the Company's operations and entitled in fixed amount or quantity in conformity with the standards of the State) attributable to gains or losses for the period	50
3	Other non-operating income and expenses apart from those stated above	31
4	Subtotal	80
5	Less: effect of income tax	20
6	Effect of extraordinary gains and losses on net profit	60

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

Notes for the Company's extraordinary gain or loss items as defined in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses and the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses which have been defined as its recurring gain or loss items.

Applicable       Not applicable

# Report of the Board of Directors

## I. SUMMARY

In the first half of 2015, amid the continuous slowdown of domestic growth, there was still an aggravated mismatch between the supply and demand in the iron and steel industry with significant decrease in the market price of steel products. Iron and steel enterprises were facing significant operating pressure. In face of the challenging market conditions, the Company optimized its production structure, accelerated the development of new products, put efforts into market expansion, and continuously strived for cost reduction and efficiency enhancement to achieve actual profitability of the Company under the adverse circumstances.

In the first half of the year, the Company achieved net profit attributable to the shareholders of the Company of RMB155 million, representing a decrease of 73.14% as compared with the corresponding period of the previous year. Basic profit per share was RMB0.021, representing a decrease of 73.75% as compared with the corresponding period of the previous year.

## II. ANALYSIS OF PRINCIPAL BUSINESSES

### 1. Overview

During the Reporting Period, the Group achieved an operating revenue of RMB28,992 million, representing a decrease of 24.06% as compared with the corresponding period of the previous year. The operating cost was RMB25,402 million, representing a decrease of 25.63% as compared with the corresponding period of the previous year. The Group also achieved an operating profit of RMB85 million and total profit of RMB165 million. Net profit of RMB151 million and net profit attributable to the shareholders of the Company of RMB155 million, representing a decrease of 89.02%, 79.83%, 73.83% and 73.14% as compared with the corresponding period of the previous year, respectively.

# Report of the Board of Directors *(continued)*

## II. ANALYSIS OF PRINCIPAL BUSINESSES *(CONTINUED)*

### 1. Overview *(Continued)*

*Unit: RMB' million*

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Operating income	28,992	38,177	-24.06	
Operating costs	25,402	34,154	-25.63	
Marketing expenses	1,191	1,034	15.18	
Administrative expenses	911	831	9.63	
Financial expenses	618	679	-8.98	
Income tax expenses	14	241	-94.19	Mainly attributable to (i) the decrease in the profit of the Company for the period as compared with the corresponding period of the previous year; and (ii) the analysis and adjustment of deferred income tax by the Company based on its taxable income.
Investment income	227	405	-43.95	Mainly attributable to the decrease in the profit of joint ventures of the Company for the period.
Net cash flow from operating activities	1,691	1,385	22.09	
Net cash flow from investing activities	-1,549	-1,378	-12.41	
Net cash flows from financing activities	339	81	318.52	Mainly attributable to the increase in the cash received from borrowings.
Net increase of cash and cash equivalents	478	88	443.18	The amount of net cash flows increased by RMB390 million as compared with the corresponding period of the previous year, which was mainly attributable to (i) the increase in net cash inflow from operating activities of RMB306 million as compared with the corresponding period of the previous year; (ii) the increase in net cash outflow from investing activities of RMB171 million as compared with the corresponding period of the previous year; (iii) the increase in net cash inflows from financing activities of RMB258 million as compared with the corresponding period of the previous year; and (iv) impact from changes in exchange rates, resulting in the loss of RMB3 million in cash.

## II. ANALYSIS OF PRINCIPAL BUSINESSES *(CONTINUED)*

2. **During the Reporting Period, there was no substantial change in profit composition or sources of profit of the Company.**
3. **The Company's review of the progress of the operation plan disclosed in the previous period during the Reporting Period**

- (1) Optimizing production organization to achieve stable operation

During the Reporting Period, the Group produced 10,950,000 tonnes of iron, 10,750,000 tonnes of steel and 9,780,000 tonnes of steel products, representing a decrease of 0.35%, 0.91% and 3.75%, respectively, over the corresponding period of the previous year. Sale of steel products amounted to 9,370,000 tonnes, representing a decrease of 6.47% as compared with the corresponding period of the previous year. The Group also achieved a 95.81% sale-to-production ratio for steel products.

As the steel product market remained weak in the first half of the year, the Company carried out annual repair works and transformation for key production lines in due course, and "prioritized efficiency and focused on quality upgrade" to ensure a high capacity of the highly-efficient production lines as well as insisted on achieving a synchronized pace between productivity and annual repairs of equipment, which effectively reduced production cost. The Company spared no efforts in maximizing profit.

- (2) Capturing the opportunities to conduct the research and development on technology to improve profitability of products

In order to improve the quality and profitability of products, the Company has further strengthened its research and development on technology. The development of new products, leading exclusive products and strategic products were constantly accelerated.

## II. ANALYSIS OF PRINCIPAL BUSINESSES *(CONTINUED)*

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

- (2) Capturing the opportunities to conduct the research and development on technology to improve profitability of products *(Continued)*

There were the development of SA-533Ty.B Cl.1 steel plates used for level 1 nuclear equipment, which led to the success in winning the bid of the contract for the generating units of Xudabao (徐大堡); the newly researched and developed 20HR-B steel for nuclear power was successfully supplied to China General Nuclear Power Corporation\*; the development of E-grade steel plates for high-performing marine engineering was approved after inspection and verification by DNV; new product of hot-rolling corten steel 09CrCuSb was successfully developed; steel produced by 2,150 hot-rolling production lines for brake pads have satisfied the special needs in Europe; Tieling-Dalian railway L450M pipeline steel was actively developed and has ensured delivery in accordance with the schedule; steel produced by the Company for wind power purposes was adopted for Pakistan Dawood Wind Power Project, an overseas construction project under "One Belt and One Road" policy of the country; the trial line of the new island circulatory tram in Haizhu District, Guangzhou, the first tram line in Guangzhou, was officially put into operation, and the tracks of the entire railway was supplied by the Company; the full length heat-treated steel for railway has successfully completed trial production and began production in batches; the 60N new-model and high-speed railway steel carrying velocity of 250km/h was successfully developed; the AG110S non-API oil well pipes resistant against H2S corrosion was successfully developed; the trial production of AG80H-9Cr fire-driven well pipes for heated oil recovery was successfully carried out; the automotive parts and cold forging steel products manufactured by the Company recorded a stable application and other achievements. Three projects, namely the "industrial production technology of anti-corrosion steel sheets used in cargo oil tanks of oil tankers (油船貨油艙用耐腐蝕鋼板工業生產技術)", "anti-corrosion and strengthening technology of low-alloy steel under the environment of high sulfur and high acid oil (高硫高酸油氣環境下低合金鋼的耐腐蝕及強韌化技術)" and "production technology of pipeline steels with high-intensity and anti-corrosion for collection and transmission of oil and natural gas (高強度耐腐蝕石油天然氣集輸和輸送用管線鋼生產技術)" were inspected and accepted by the steel associations.

## II. ANALYSIS OF PRINCIPAL BUSINESSES *(CONTINUED)*

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

- (3) Vigorously expanding the market with improvement in sales and marketing

In order to deal with adverse market situations, main leaders of the Company visited several key strategic users including China General Nuclear Power Corporation\* (中國廣核集團有限公司), China International Marine Containers (Group) Ltd.\* (中國國際海運集裝箱(集團)股份有限公司), China CNR Corporation Limited\* (中國北車股份有限公司), China State Shipbuilding Corporation\* (中國船舶工業集團公司), China North Industries Group Corporation\* (中國兵器工業集團), China Railway Construction Corporation Limited\* (中國鐵建股份有限公司) and China CSR Corporation Limited\* (中國南車股份有限公司) to strengthen strategic cooperation. During the first half of the year, the Company's percentage of direct sales volume to users reached 73%.

The Company continuously made greater efforts in quality survey and optimized the mode of quality survey in order to achieve efficiency while increasing market shares for the Company.

The Company strengthened its market analysis and established marketing policies which were adapted to the market. Through the collection of industrial and market information as well as information of competitors at the upstream and downstream in the industry via various channels and at different dimensions, the Company had strengthened its knowledge and judgment on the market trend.

The more frequent interaction between domestic and foreign trades resulted in the increase of exports. Since 2015, the Company has been focusing on new changes in the international market, which strengthened the coordination and interaction between domestic and foreign trades. During the first half of the year, the Company recorded a cumulative settlement from exports sales of 1,370,000 tonnes of steel products, representing an increase of 290,000 tonnes as compared to the corresponding period of last year.

## II. ANALYSIS OF PRINCIPAL BUSINESSES *(CONTINUED)*

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

- (4) Enhancing energy management and control and improving capability for energy saving and cost reduction

The Company adequately made use of gas as a substitute of coal-fired boiler to satisfy production needs, which reduced the consumption of steam coal; effectively utilized gas to increase the power generation of CCPP units, enhanced the recycling of residual heat and energy, and increased power generation of residual heat and TRT. In the first half of the year, the ratio of self-generated power by the Company reached 65.3%, representing a year-on-year increase of 8.3 percentage points, among which, the ratio of power generated by residual heat and energy reached 51.6%, representing a year-on-year increase of 4.6 percentage points.

The Company continuously implemented measures on “three reductions” and “three adjustments” of energy to reduce power consumption. By adopting the measures such as “temperature reduction, pressure reduction and volume reduction”, the temperature of energy-related products and the energy consumption were reduced, leading to the decrease in energy loss. In addition, the Company also adopted several means such as quality adjustment, peak load adjustment as well as overall control to optimize the matching and reasonable use of energy medium level, dynamically adjusting the operation models for energy systems, thereby reducing operating costs as well as managing and controlling waste of energy to reduce losses. In the first half of the year, fresh water consumption per tonne in steel production of the Company recorded a year-on-year decrease of 6.1%, making a historical breakthrough in the indicator. Through optimizing the operation plan, it is expected that over RMB21 million of water resources would be saved for the year.

The Company performed comprehensive energy-related operations and expanded sales channels for energy products to increase sales and generation of revenue.



## II. ANALYSIS OF PRINCIPAL BUSINESSES *(CONTINUED)*

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

#### (5) Expanding financing channels and reducing financial costs

The Company consolidated and broadened financing channels to secure the source of capital. The soundness of financial sources was enhanced by expanding the scope of cooperation with financial institutions. Financing cost was reduced while financial security of the Company was safeguarded by means of promotion of documentary letter of credit payment business, low-cost financing business of import and export documentary bill, newly-added issuance size of ultra short-term financing notes and revolving issuance of ultra short-term financing notes, etc.

The Company seized the opportunity to adjust borrowings structure to reduce capital cost. The Company discounted notes to repay bank borrowings for reduction of financing cost in due course. In the meantime, in light of the twice successive downward adjustments of benchmark interest rates by the central bank for loans, the Company actively communicated with banks in order to arrange for refinancing of loans in advance, thereby lowering the financing costs of the Company. During the first half of the year, financing costs of the Company has decreased by RMB61 million as compared with the corresponding period of the previous year.

## II. ANALYSIS OF PRINCIPAL BUSINESSES *(CONTINUED)*

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

- (6) Strengthening the capabilities of environmental management and control as well as promoting corporate sustainable and healthy development

During the first half of the year, the Company focused on “implementing ecological development and building a beautiful Angang (推進生態文明、建設美麗鞍鋼)” as the core principle and pursued prevention and control of environmental risks. As such, the Company has set up environmental protection management system and strengthened environmental management which produced manifest results in environmental protection works. The implementation of environmental management was substantially improved, while the appearance of the plants was noticeably improved. The ecological park in the production area has been preliminarily constructed.

The environment and air quality were continuously improved. Environmental and air indicators, namely SO<sub>2</sub>, NO<sub>2</sub> and PM10 all met the national standards and outperformed those in the same period of the previous year. In comparison with the corresponding period of the previous year, the emissions of SO<sub>2</sub> per tonne of steel, fly ash, COD and waste water were reduced by 38.7%, 23.1%, 81% and 62.4%, respectively.

The Company implemented the Blue Sky Engineering Project, for which the energy management and control denitrification project has currently commenced full operation, whereas projects such as the one-off dust removal for steel making project and raw material ground spray and dust control project have been progressing in an orderly manner.

## II. ANALYSIS OF PRINCIPAL BUSINESSES *(CONTINUED)*

### 4. Liquidity and Financial Resources

As of 30 June 2015, the Group had long-term borrowings of RMB2,231 million (exclusive of loans due within one year) with interest rates ranging from 4.2892% to 6.4% per annum. Under the terms of three to 25 years, the loans will expire during the period from 2016 to 2022. The loans are mainly used for replenishing working capital. The Group's long-term loans due within one year amounted to RMB1,187 million.

In 2015, with good credibility, the Group was reviewed and rated by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) with a long-term credit rating of "AAA". Therefore, the Group is capable of repaying its debts when they become due.

As of 30 June 2015, the Group had a capital commitment of RMB7,758 million, which was primarily attributable to the construction and renovation contracts and the external investment contracts, which were entered into but not performed or partially performed.

### 5. Foreign Exchange Risk

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

As at the end of the Reporting Period, the foreign currency borrowings of the Group amounted to USD400 million. Therefore, the Group is exposed to certain degree of the risk of exchange rate fluctuations.

### 6. Gearing Ratio

As of 30 June 2015, the Group's ratio of equity to liability was 1.14 times and the figure was 1.12 times as at 31 December 2014.

## II. ANALYSIS OF PRINCIPAL BUSINESSES *(CONTINUED)*

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

### 8. Contingent Liabilities

As of 30 June 2015, the Group had no contingent liabilities.

## III. COMPOSITION OF THE PRINCIPAL BUSINESSES

### Principal businesses of the Group by industry and products

*Unit: RMB' million*

	Operating income	Operating cost	Gross profit margin (%)	Increase/ decrease in operating income as compared with the corresponding period of the previous year (%)	Increase/ decrease in operating cost as compared with the corresponding period of the previous year (%)	Increase/ decrease in gross profit margin as compared with the corresponding period of the previous year (Percentage point)
<b>By industry</b>						
Steel pressing and processing industry	28,960	25,374	12.38	-23.71	-25.40	1.99
<b>By products</b>						
Hot-rolled sheets products	9,305	8,729	6.19	-26.24	-27.21	1.25
Cold-rolled sheets products	10,040	8,332	17.01	-21.49	-23.21	1.86
Medium-thick plates	4,245	3,619	14.75	-20.55	-23.57	3.37

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

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

Notes: The decrease in operating income from different series of steel products of the Company as compared with the corresponding period of the previous year was primarily due to (i) the decrease in product prices; and (ii) the decrease in sales volume of products. The decrease in operating cost was mainly attributed to (i) the decrease in market price of crude fuel and the Company's optimization in procurement method, strived to seize opportunities for procurement that resulted in the significant decrease in purchase cost; (ii) the various measures contributing to the increase in efficiency by promoting internal development of the Company, in addition to other means for cost reduction, optimization in coal and mine structure and blending, processing cost and expenses reduction; and (iii) the decrease in sales volume of products.

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

*Unit: RMB' million*

	Operating revenue from main operation	Increase/decrease in operating revenue from main operation as compared with the corresponding period of previous year (%)
Northeast China	10,094	-31.38
North China	2,102	0.67
East China	7,281	-25.42
South China	4,996	-24.51
Central south China	338	-19.14
Northwest China	116	-17.14
Southwest China	37	-48.61
Export sales	3,996	-3.78
<b>Total</b>	<b>28,960</b>	<b>-23.71</b>

## **IV. OPERATION PLAN FOR THE SECOND HALF OF THIS YEAR**

1. Promote the management of cost reduction and efficiency enhancement to reduce operating cost continuously.
2. Track the key national construction projects and enlarge market share of products.
3. Continuously implement the development of new products and strive to improve the profitability of products.
4. Advance energy saving projects and increase growth points which derive revenue from energy savings.
5. Strengthen construction of environmental protection projects and continuously improve the quality of the environment.
6. Optimize risk management system and improve the standards of corporate governance.

## **V. ANALYSIS ON THE CORE COMPETITIVENESS**

The core competitiveness of the Company had no change in the first half of 2015.

## VI. ANALYSIS OF INVESTMENTS

### 1. External equity investments

#### (1) External Investments

External Investments		
Investments in the Reporting Period <i>(RMB' million)</i>	Investments in the corresponding period of the previous year <i>(RMB' million)</i>	Change <i>(%)</i>
65	845	-92.31

Targets of investments		
Name of Companies	Principal Activities	The Company's Percentage of Interest in Investees <i>(%)</i>
Guangzhou Angang Steel Processing Co., Ltd.* (廣州鞍鋼鋼材加工有限公司)	Steel pressing and processing	75
Guangzhou Guangqi Baoshang Steel Processing Co., Ltd.* (廣州廣汽寶商鋼材加工有限公司)	Steel pressing and processing	30
Changsha Baogang Steel Processing and Delivery Co., Ltd.* (長沙寶鋼鋼材加工配送有限公司)	Steel pressing and processing	14

# Report of the Board of Directors *(continued)*

## VI. ANALYSIS OF INVESTMENTS *(CONTINUED)*

### 1. External equity investments *(Continued)*

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

Company name	Company type	Investment cost (RMB' million)	Number of shares held at the beginning of the Reporting Period		Number of shares held at the end of the Reporting Period		Shareholding ratio at the end of the Reporting Period (%)	Investment cost at the end of the Reporting Period (RMB' million)	Book value at the end of the Reporting Period (RMB' million)	Loss or gain during the Reporting Period (RMB' million)	Accounting item	Source of shares
			Initial investment	beginning of the Reporting Period	beginning of the Reporting Period	at the end of the Reporting Period						
Angang Financial Company	-	315	-	20	-	20	842	1,189	60	Long-term equity investments	Subscription to the additional issuance	

#### (3) Securities Investment

Stock type	Stock code	Abbreviation	Number of shares held at the beginning of the Reporting Period		Number of shares held at the end of the Reporting Period		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
			investment	Period	Period	Period					
Shares	600961	Zhuzhou Group (株冶集團)	81	10	1.9	5	0.88	65	51	Available for sale financial assets	Non-public offering



# Report of the Board of Directors *(continued)*

## VI. ANALYSIS OF INVESTMENTS *(CONTINUED)*

### 2. Entrusted wealth management, derivatives investments and entrusted loans

(1) Entrusted financial management

Applicable     Not applicable

(2) Derivatives investments

*Unit: RMB' million*

Name of the derivatives investment operator	Relationship with the Group	Related party transaction or not	Type of derivatives investment	Initial investment amount of derivative investment	Date of commencement	Date of termination	Investments at the beginning of the period	Provision for impairment (if any)	Investments at the end of the period	Proportion of investments at the end of the period to net assets of the Company	Actual profit or loss during the Reporting Period
Angang Steel	None	No	Future investment	50	13 February 2015	-	0	Nil	17.50	0.04%	0.42
Total				50	-	-	0		17.50	0.04%	0.42

## VI. ANALYSIS OF INVESTMENTS *(CONTINUED)*

### 2. Entrusted wealth management, derivatives investments and entrusted loans *(Continued)*

Source of funds for derivative investments	Self-owned funds
Litigation case (if applicable)	None
Date of the announcement disclosing the approval of derivatives investment by the Board	On 13 February 2015, the resolution in relation to the Company's carrying out business of hedging with commodity futures in 2015 was approved at the 30th meeting of the sixth session of the Board.
Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting	None
Risk analysis on positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk, etc.)	<p>(1) Market risk exists when the position held by the Company is related to the steel products industry, which is highly relevant to spot commodity operated by the Company. Although the Company makes regular analysis and estimation on the market, the judgment on the market may be deviated, resulting in potential risk. However, the risk is controllable after futures hedging with spot commodities.</p> <p>(2) As the category of position held has a sufficient liquidity, there is no liquidity risk.</p> <p>(3) The Futures Exchange provides credit guarantee for the category of position held, thus the credit risk is minimal.</p> <p>(4) The Company carries out such business in strict compliance with the relevant requirements of hedging and total holding position and term are in line with the Company's approval.</p>

## VI. ANALYSIS OF INVESTMENTS *(CONTINUED)*

### 2. Entrusted wealth management, derivatives investments and entrusted loans *(Continued)*

	<p>(5) The Company has performed valuation of relevant legal risks. Business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and thus, risks can be controlled.</p>
<p>Changes in market price or product fair value of derivatives invested during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value</p>	<p>With reference to the settlement price of futures contracts of iron ore 1,509 and coking coal 1,509 in Dalian Commodity Exchange, on 29 April, the settlement price of futures contracts of coking coal 1509 amounted to RMB670/tonne, while the settlement price of futures contracts of iron ore 1,509 amounted to RMB442.5; as of 30 June, the settlement price of futures contracts of coking coal 1,509 amounted to RMB673/tonne, representing an increase of RMB3/tonne as compared with the beginning of the period, while the settlement price of futures contracts of iron ore 1,509 amounted to RMB420.5/tonne, representing a decrease of RMB2/tonne as compared with the beginning of the period.</p>
<p>Explanations of any significant changes in the Company's accounting policies and specific accounting principles on derivatives adopted during the Reporting Period as compared with those of last reporting period</p>	<p>N/A</p>

## VI. ANALYSIS OF INVESTMENTS *(CONTINUED)*

### 2. Entrusted wealth management, derivatives investments and entrusted loans *(Continued)*

Specific opinions of independent Directors on the derivatives investment and risk control of the Company

- (1) The Company utilized the self-owned capital for the development of futures hedging business under its guarantee of the normal production and operation, and performed related approval procedures in compliance with relevant requirements of the relevant laws, regulations and the Articles of Association, which was beneficial to the reduction of operating risks of the Company, without prejudice to the Company and shareholders as a whole.
- (2) The Company established Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and explicitly confirmed internal control procedures such as the operation procedures of business, approval process and risks prevention and control, achieving a guarantee for the Company to control future risks.
- (3) The Company confirmed that the maximum amount and the types for trading of the annual hedging guarantees were reasonable and in compliance with the actual situation of production and operation of the Company, and thus, in favour of the Company's reasonable control over trading risks.

# Report of the Board of Directors (continued)

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 3. Use of proceeds

Not applicable.

### 4. Analysis of major subsidiaries and associates

Unit: RMB' million

Name	Type	Industry	Main products or services	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
ANSC-TKS	Sino-foreign cooperative venture	Steel pressing and processing	Production of rolled hot dip galvanized steel products and alloyed steel plate and strip products, sale of self-produced products and provision of after-sale services	USD132 million	2,054	1,619	2,558	232	196
Angang Financial Company	Company with limited liability	Finance	Deposit, lending and financing	2,000	20,843	5,973	614	409	308

### 5. Material projects of non-financing investment

Not applicable.

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

On 3 June 2015, the 2014 annual general meeting of the Company was held in Anshan which considered and approved the profit distribution proposal for the year of 2014. Based on the total share capital of 7,234,807,847 shares, the profit distribution proposal for the year of 2014 was cash dividend of RMB0.45 for every 10 shares. On 30 June 2015, the Company distributed cash dividend to H shareholders and the applicable exchange rate was the average central parity rate of RMB to Hong Kong dollars published by the People's Bank of China for the calendar week immediately prior to the general meeting, i.e. HK\$100 to RMB78.936. The distribution of cash dividend by the Company to H shareholders amounted to HK\$62 million. On 30 June 2015, the Company distributed in aggregate RMB277 million cash dividend to the domestic holders of transferable A shares and holders of state-owned shares. The Company distributed a total of RMB326 million of cash dividend for the year of 2014.

## **VIII. THE COMPANY DID NOT MAKE ANY PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL DURING THE REPORTING PERIOD.**

## **IX. EMPLOYEES**

As of 30 June 2015, the Company had 38,477 employees, amongst whom 30,668 were production personnel, 375 were sales personnel, 4,852 were technicians, 301 were accounting personnel and 1,179 were administration personnel. Among the employees of the Company, 9,113 had bachelor's degree or higher, representing 23.68% of the total number of employees; 9,911 employees held diploma, representing 25.76% of the total number of employees and 17,928 employees held the certificates of secondary education, representing 46.59% of the total number of employees.

## **IX. EMPLOYEES (CONTINUED)**

In the first half of 2015, the Company has arranged for 36,437 employees to attend various training courses and among them, 347 senior management personnel attended rotational training classes for leaders under the mission of the Fourth Plenary Session of the Eighteenth National People's Congress of the Communist Party; 7,351 employees attended training classes for strategic leadership enhancement; 233 professional technicians attended youth cadres training classes and trainings for specific technology in colleges; 654 employees with excellent operating skills attended technological projects, advanced operating methods and innovation trainings; 11,110 employees attended training for job-related knowledge; and 16,742 employees attended training for operating skills.

As a result of a series of trainings, extensive talent and intellectual support were provided to the Company for its realization of reform and innovation as well as upgrade through transformation. The overall quality of employees had been substantially improved and corporate competitiveness was comprehensively enhanced.

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

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **XI. SECURITIES TRANSACTIONS OF DIRECTORS**

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

## **XII. INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

## **XIII. AUDIT COMMITTEE**

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

The Audit Committee has discussed with the Company's management and reviewed the unaudited consolidated financial information of the Group for the six months ended 30 June 2015.

## **XIV. INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2015.



# Significant Events

## I. CORPORATE GOVERNANCE OF THE COMPANY

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

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

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 provision A.1.8 in Appendix 14 to the Hong Kong Listing Rules, “an issuer should arrange appropriate insurance cover in respect of legal action against its directors”.**

The Company did not arrange any insurance cover for its Directors in the first half of 2015.

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, accordingly, reduced the legal risks for Directors. Therefore, no insurance arrangement was made in respect of the Directors.

## **I. CORPORATE GOVERNANCE OF THE COMPANY *(CONTINUED)***

- (2) As required by provision E.1.2 in Appendix 14 to the Hong Kong Listing Rules, “the chairman of the board should attend the annual general meeting.”**

The acting chairman of the Company did not attend the annual general meeting of the Company due to other business engagements but had authorized Mr. Wang Yidong, a Director and general manager of the Company, to attend and preside over the annual general meeting.

## **II. MATERIAL LITIGATION AND ARBITRATION**

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

## **III. MATTERS QUESTIONED BY MEDIA**

The Company was not involved in matters widely contested by the media during the Reporting Period.

## **IV. MATTERS RELATING TO INSOLVENCY AND RESTRUCTURING**

Not applicable.

# Significant Events *(continued)*

## V. TRANSACTIONS IN ASSETS

1. During the Reporting Period, the Company did not carry out any major assets acquisition.
2. Disposal of assets

Counterparty	The disposed assets	Date of disposal	Transaction Price (RMB0'000)	The net profits contributed by the assets to the Company from the beginning of the Reporting Period to the date of disposal (RMB0'000)	Impact of the disposal on the Company	Percentage of the net profit generated by the assets disposal in the total net profit of the Company (%)	Pricing principle for the asset disposal	Whether it is a connected transaction	Connected relationship with the counterparty (applicable to the connected transactions)	Whether the title to the assets has been transferred in full	Whether the liabilities and debts involved have been transferred in full
Xichang Steel & Vanadium	Transfer of 50% equity interest of Chongqing Automobile Steel held by the Company to Xichang Steel & Vanadium	27 April 2015	5,156.44	0	An increase in the Company's profit amounting to RMB1,5644 million. There was no material impact on the Company's overall operating results and financial circumstances.	1	Price determined in accordance with the appraised value	Yes	Controlled indirectly by the controlling shareholder of the Company	Yes	N/A

### 3. Business combinations

None.

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

Not applicable.

## VII. MAJOR CONNECTED TRANSACTIONS

### 1. Connected transactions related to daily operations

A.	Related Party:	Angang Group
	Connected relationship:	Controlling shareholder of the Company
	Settlement method of the connected transaction:	Money payment

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of the amount of similar transactions (%)
Procurement of principal raw materials from the related party	Iron concentrate	Not higher than the average import price reported to the PRC customs in the second month preceding the month of the transaction (T-2), plus the railway transportation cost from Bayuquan Port to Angang Steel, and adjusted based on the average weighted grade of the iron concentrate imported by the Company, in the second month preceding the month of the transaction (T-2). For every one percentage point increase or decrease in the grade of iron concentrate, the price shall be increased or decreased by RMB10/tonne. A discount equal to 5% of the average import price reported to the PRC customs in the second month preceding the month of the transaction (T-2) months shall apply on the price determined pursuant to the formula set out above. (T stands for the current month)	RMB471/tonne	1,958	54.20

# Significant Events *(continued)*

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

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

#### A. *(Continued)*

Type	Details	Pricing principle	Price <i>(RMB)</i>	Transaction amount <i>(RMB* million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
	Pellet	Market price	RMB670/ tonne	1,867	100.00
	Sinter ore	The price of iron concentrate plus processing cost in the preceding two months (T-2), the processing cost of which should not be higher than that of similar products produced by Angang Steel.	RMB536/ tonne	843	100.00
	Karara magnetite	Per unit price = reference price + port freight differential cost. In particular, reference price means that after loading in the place of loading in the corresponding month, the average value of medium price (measured by the amount of cents of USD per dry metric tonne) of Platts 65% (applicable to standard products) or 62% (applicable to low grade products) CFR price for the northern part of China (Qingdao Port) announced daily by SBB Steel Markets Daily (《SBB鋼鐵市場日報》) as divided by 65 (applicable to standard products) or 62 (applicable to low grade products). Port freight differential cost: It means the difference of transportation cost of shipping in dry metric tonne for products. The difference of transportation cost of shipping in dry metric tonne from Qingdao Port to Bayuquan, Liaoning Province is divided by 65 (applicable to standard products) or 62 (applicable to low grade products).	RMB439/ tonne	285	100.00
	Scrap steel	Market price	-	133	99.91
	Billets		-	97	99.56
	Alloy and nonferrous metal		-	35	2.52
	Sub-total		-	5,218	-

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

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

#### A. *(Continued)*

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of the amount of similar transactions (%)
Procurement of products from the related party	Steel products	The selling price charged by the Company to third parties minus the commission fees of RMB20-35 per tonne	RMB2,819/tonne	11	100.00
Procurement of energy and power from the related party	Electricity	State price	RMB0.44/Kwh	919	40.14
	Water	State price	RMB2.10/tonne	21	25.83
	Stream	Cost of production plus gross profit margin of 5%	RMB16/GJ	1	100.00
	Sub-total	-	-	941	-
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	RMB56/tonne	80	71.03
	Lime powder		RMB402/tonne	338	90.46
	Refractory materials		-	256	43.52
	Other ancillary materials		-	112	10.40
	Spare parts		-	420	48.03
	Sub-total		-	-	1,206

# Significant Events *(continued)*

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

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

#### A. *(Continued)*

Type	Details	Pricing principle	Price <i>(RMB)</i>	Transaction amount <i>(RMB* million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
Purchase of support services from the related party	Railway transportation service	State price	-	262	52.66
	Road transportation service	Market price	-	277	86.67
	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)	-	43	100.00
	Repair and maintenance of equipment and service	Market price	-	162	45.91
	Design and engineering services		-	869	36.45
	Educational facilities, education for occupational skills, on-the-job training and translation	Market price		-	-
	Newspaper and other publications	State price	-	0.2	42.98

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

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

#### A. *(Continued)*

Type	Details	Pricing principle	Price <i>(RMB)</i>	Transaction amount <i>(RMB' million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
	Telecommunication business and services and information system	State price or depreciation plus maintenance costs	-	9	58.75
	Production assistance and maintenance	Expenses of labour, materials and management as paid based on market prices	-	420	40.42
	Welfare assistance and maintenance		-	116	87.47
	Company vehicle services	Market price	-	0.6	91.35
	Environmental protection and security inspection services	State price	-	1	92.85
	Business reception and meeting expenses	Market price	-	1	56.18
	Supply of heating fee	State price	-	-	-
	Greening services	Expenses of labour, materials and management as paid based on market prices	-	9	100.00
	Sub-total	-	-	2,170	44.93



# Significant Events *(continued)*

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

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

#### A. *(Continued)*

Type	Details	Pricing principle	Price <i>(RMB)</i>	Transaction amount <i>(RMB* million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>
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	RMB2,323/ tonne	937	3.47
	Molten iron		RMB1,626/ tonne	21	100.00
	Billets		RMB2,185/ tonne	22	40.88
	Coke		-	8	100.00
	Chemical by-products		-	71	9.23
	Sub-total		-	-	1,059
Sale of scrap steel and abandoned material to the related party	Scrap steel	Market price	-	109	85.88
	Abandoned material		-	8	53.07
	Obsolete assets or idle assets	Market price or appraised price	-	-	-
	Sub-total	-	-	117	82.58

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

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

#### A. *(Continued)*

Type	Details	Pricing principle	Price <i>(RMB)</i>	Transaction amount <i>(RMB' million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>	
Sale of comprehensive services to the related party	Fresh water	State price	RMB3.13/tonne	24	97.88	
	Clean recycled water	Production cost plus a gross profit margin of 5%	RMB0.73/tonne	10	100.00	
	Soft water		RMB4.90/tonne	0.2	100.00	
	Gas		RMB46.11/GJ	252	87.73	
	Blast furnace gas		RMB4.00/GJ	30	100.00	
	Steam		RMB47.51/GJ	14	99.74	
	Nitrogen		RMB223.32/km <sup>3</sup>	1	35.37	
	Oxygen		RMB382.75/km <sup>3</sup>	2	34.18	
	Argon		RMB563.03/km <sup>3</sup>	0.7	22.74	
	Compressed air		RMB106.10/km <sup>3</sup>	0.4	100.00	
	Used hot water		RMB17.37/GJ	24	90.83	
	Product testing service		Market price	-	1.7	75.13
	Transportation service			-	9	93.10
	Sub-total		-	-	369	47.88
Reasons for the continuing connected transactions:		As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of supply chain of the Company. In the meantime, its internal subsidiaries have a high technological level and service capabilities, which can provide necessary support services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.				

# Significant Events *(continued)*

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

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

B.	Related Party:	Angang Financial Company
	Connected relationship:	Indirectly controlled by the same controlling shareholder of the Company
	Settlement method of the connected transaction:	Money payment

Type	Details	Pricing principle	Price	Transaction amount <i>(RMB' million)</i>	As a percentage of similar transaction amount <i>(%)</i>
Financial services provided to the Company by the related party	Interest on deposits	State price	-	5	67.02
	Maximum daily balance of deposit (including accrued interests)	-	-	1,488	-
	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	-	32	4.03

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

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

C.	Related Party:	Pangang Vanadium & Titanium Group
	Connected relationship:	Indirectly controlled by the same controlling shareholder of the Company
	Settlement method of the connected transaction:	Money payment

Type	Details	Pricing principle	Price	Transaction Amount (RMB' million)	As a percentage of similar transaction amount (%)
Purchase of raw materials from the related party	Iron concentrate	Not higher than the average import price of domestic iron concentrate reported to the PRC Customs in the month (T-2) plus the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the trade of the iron concentrate which was based on the average weighted grade of the iron concentrate imported by the Company in the month (T- 2). For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/tonne. A discount equal to 5% of the average import price of domestic iron concentrate reported to the PRC Customs in the month (T-2) was granted on such a basis (T stands for the current month).	RMB473/tonne	725	20.08
	Alloy	Market price	-	42	2.98
	Total		-	767	15.32
Reasons for the connected transactions		Anqian Mining, a subsidiary of Pangang Vanadium & Titanium, has supplied iron concentrate for the Company for many 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. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

### 2. Connected transactions of assets acquisition and disposal

Party	Relationship	Type	Content	Pricing Principle	Book	Appraised	Fair market	Transfer	Settlement	Loss or
					value of	value of				
					transferred	transferred	value	price		profit
					assets	assets	(RMB'000)	(RMB'000)		(RMB'000)
Xichang Steel & Vanadium	Under indirect control of the same controlling shareholder of the Company	Disposal	Transfer of 50% equity interests in Chongqing Automobile Steel held by the Company to Xichang Steel & Vanadium	Determined based on the appraised value	5,000	5,156.44	5,156.44	5,156.44	Money payment	156.44

Reasons for the substantial difference between the transfer price and the book value or the appraised value (if any)      None

Impact on the operating result and the financial condition of the Company      An increase of RMB1,564,400 in the profit of the Company and no material impact on the overall operating results and financial condition of the Company.

### 3. Connected party credit and debt transaction

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

As of 30 June 2015, the bank borrowings of RMB101 million and RMB5,995 million of the Group were guaranteed by Angang Holding and Angang Group Company, respectively.

## VIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

### 1. Entrustment, contracting and leasing matters

On 20 November 2012, the Company entered into Assets Exchange Agreement and Share Transfer Agreement, and Entrustment Agreement with Angang Trade and Angang Holding, respectively. Pursuant to such agreements, upon the completion of the assets exchange and share transfer, Angang Trade and Angang Holding will entrust the Company with 80% equity interests of Angang Putian and 45% equity interests of Angang Tiantie, respectively. On 30 January 2013, the Company convened its first extraordinary general meeting in 2013 which considered and approved the Resolution in relation to Assets Exchange between the Company and Angang Group International Trade Corporation (關於本公司與鞍鋼國貿進行資產置換的議案), Resolution in relation to the Equity Transfer between the Company and Anshan Iron & Steel Group Complex\* (關於本公司與鞍山鋼鐵進行股權轉讓的議案) and Resolution in relation to the Entrustment of Certain Subsidiaries of Anshan Iron & Steel Group Complex\* and Angang Group International Trade Corporation\* (關於本公司託管鞍山鋼鐵、鞍鋼國貿下屬部份公司股權的議案).

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

2. **During the Reporting Period, there were no material guarantee provided by the Company and no material guarantee subsisting during the Reporting Period.**
3. **The Company did not entrust any party with the management of any of its assets during the Reporting Period.**
4. **The Company did not enter into any other material contracts during the Reporting Period.**
5. **The Company did not entrust any party for financial management during the Reporting Period.**

## **IX. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH SHAREHOLDING OF 5% OR MORE DURING OR SUBSISTED IN THE REPORTING PERIOD**

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

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

- (1) Angang Holding and its wholly-owned and holding subsidiaries have complied with relevant requirements of the state on the non-competition.
- (2) Angang Holding and its wholly-owned and holding subsidiaries have never engaged in any business which directly or indirectly compete with the iron and steel business, the principal business of the Company.
- (3) Angang Holding undertakes that the Company is entitled to the preemption rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlling subsidiaries of Angang Holding, which are related to the iron and steel business of the Company.
- (4) If the enterprises in which Angang Holding holds equity interests produce products or engage in business which compete or may compete with the Company, Angang Holding undertakes that it will transfer all the capital contribution, shares or equity interests and grant the Company preemptive rights for such capital contribution, shares or equity interests under the same terms.
- (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.

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

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

- (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.

- (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.



# Significant Events *(continued)*

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

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

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

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

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

Period of undertakings: effective for a long-term.

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

## **X. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM**

This interim financial report has not been audited.

## **XI. EXPLANATION ON OTHER SIGNIFICANT EVENTS**

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

# Movements in Share Capital and Shareholding of Substantial Shareholders

## I. SHARE CAPITAL STRUCTURE

As at 30 June 2015, the structure of share capital of the Company was as follows:

*Unit: Share*

	Before the change during the period		Increase/decrease during the period (+, -)					After the change during the period	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from accumulated fund	Others	Subtotal	Number	Percentage (%)
<b>I. Shares subject to trading moratorium</b>	73,900	0.00	-	-	-	+2,237	+2,237	76,137	0.00
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic Shares	-	-	-	-	-	-	-	-	-
Including: Shares held by domestic legal persons	-	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Foreign investment shares	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
5. Senior management shares	73,900	0.00	-	-	-	+2,237	+2,237	76,137	0.00
<b>II. Shares not subject to trading moratorium</b>	7,234,733,947	100.00	-	-	-	-2,237	-2,237	7,234,731,710	100.00
1. Renminbi ordinary shares	6,148,933,947	84.99	-	-	-	-2,237	-2,237	6,148,931,710	84.99
2. Domestically listed foreign investment shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign investment shares	1,085,800,000	15.01	-	-	-	-	-	1,085,800,000	15.01
4. Others	-	-	-	-	-	-	-	-	-
<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>

Note: Reasons for movement in shares:

During the Reporting Period, movements in (i) the number of shares subject to trading moratorium; (ii) shares held by senior management; (iii) shares not subject to trading moratorium; and (iv) the number of RMB ordinary shares of the Company were primarily attributable to the changes of certain Directors of the Company.

## II. 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 160,531, of which 571 were holders of H shares

### Shareholdings of shareholders of ordinary shares interested in more than 5% of the shares of the Company or top ten shareholders of ordinary shares

Name of shareholder	Nature of shareholder	Percentage of shareholdings (%)	Number of ordinary shares as at the end of the Reporting Period	Increase/ decrease during the Reporting Period	Number of ordinary shares held subject to trading moratorium	Number of ordinary shares held not subject to trading moratorium	Number of shares Pledged or frozen	Status of shares	Amount
Anshan Iron & Steel Group									
Complex* (鞍山鋼鐵集團有限公司) State-owned legal person									
		67.29	4,868,547,330	0	-	4,868,547,330	-	-	-
HKSCC (Nominees) Limited Overseas legal person									
		14.85	1,074,263,789	+273,784	-	1,074,263,789	-	-	-
Li Yulan (李玉蘭) Domestic natural person									
		0.34	24,820,070	+2,678,465	-	24,820,070	-	-	-
Chen Guohua (陳國華) Domestic natural person									
		0.15	10,738,020	+10,738,020	-	10,738,020	-	-	-
Liang Yaohui (梁耀輝) Domestic natural person									
		0.14	10,440,000	0	-	10,440,000	Judicially frozen	-	10,440,000
Tan Meichu (譚梅初) Domestic natural person									
		0.13	9,457,734	+9,457,734	-	9,457,734	-	-	-
Chen Rongliang (陳榮亮) Domestic natural person									
		0.09	6,394,110	+6,394,110	-	6,394,110	-	-	-
HSBC Investments (Hong Kong) Limited – HSBC China									
Dragon Fund Others									
		0.08	6,024,630	+6,024,630	-	6,024,630	-	-	-
Du Lei (杜雷) Domestic natural person									
		0.07	5,373,904	+5,373,904	-	5,373,904	-	-	-
Tian Xiaoliang (田小亮) Domestic natural person									
		0.06	4,639,568	+78,268	-	4,639,568	-	-	-

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

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.

### Shareholdings of the top 10 holders of ordinary shares not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium at the end of the Reporting Period	Type of share	
		Type of share	Amount
Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司)	4,868,547,330	Renminbi ordinary shares	4,868,547,330
HKSCC (Nominees) Limited	1,074,263,789	Overseas listed foreign shares	1,074,263,789
Li Yulan (李玉蘭)	24,820,070	Renminbi ordinary shares	24,820,070
Chen Guohua (陳國華)	10,738,020	Renminbi ordinary shares	10,738,020
Liang Yaohui (梁耀輝)	10,440,000	Renminbi ordinary shares	10,440,000
Tan Meichu (譚梅初)	9,457,734	Renminbi ordinary shares	9,457,734
Chen Rongliang (陳榮亮)	6,394,110	Renminbi ordinary shares	6,394,110
HSBC Investments (Hong Kong) Limited –HSBC China Dragon Fund	6,024,630	Renminbi ordinary shares	6,024,630
Du Lei (杜雷)	5,373,904	Renminbi ordinary shares	5,373,904
Tian Xiaoliang (田小亮)	4,639,568	Renminbi ordinary shares	4,639,568

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

### **III. MOVEMENTS OF CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER**

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

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

Save as disclosed below, as at 30 June 2015, no other person (other than the Company's Directors, Supervisors and senior management) had any interest or short position in the shareholders or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO of Hong Kong:

##### Interest in ordinary shares of the Company

Name of shareholder	Number and class of shares held	Percentage in total share capital (%)	Percentage in total issued H shares (%)	Percentage in total issued domestic shares (%)	Capacity
Angang Iron & Steel Group Complex*	4,868,547,330 state-owned shares	67.29	–	79.18	Beneficial owner
HKSCC (Nominees) Limited	1,074,263,789 H shares	14.85	98.94	–	Nominee

# Directors, Supervisors and Senior Management

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

Unit of number of shares: share

Name	Position	Status of Position	No. of	No. of	No. of	Shares Held at the End of the Reporting Period	Restricted Shares		Restricted Shares Granted at the End of the Reporting Period
			Shares Held at the Beginning of the Reporting Period	Increased in the Reporting Period	Reduced in the Reporting Period		Granted at the Beginning of the Reporting Period	Restricted Shares during the Reporting Period	
Yao Lin	Chairman	In office	10,000	-	-	10,000	-	-	-
Wang Yidong	Director, General Manager	In office	10,200	-	2,550	7,650	-	-	-
Zhang Lifan	Director, Deputy General Manager	In office	8,250	-	-	8,250	-	-	-
Chen Fangzheng	Independent non-executive Director	In office	0	-	-	0	-	-	-
Qu Xuanhui	Independent non-executive Director	In office	0	-	-	0	-	-	-
Liu Zhengdong	Independent non-executive Director	In office	0	-	-	0	-	-	-
Chau Chi Wai	Independent non-executive Director	In office	0	-	-	0	-	-	-
Xu Zhiwu	Chairman of the Supervisory Committee	In office	0	-	-	0	-	-	-
Song Jun	Supervisor	In office	0	-	-	0	-	-	-
Bai Hai	Supervisor	In office	0	-	-	0	-	-	-
Ren Ziping	Chief Engineer	In office	24,000	-	-	24,000	-	-	-
Liu Jun	Deputy General Manager	In office	0	-	-	0	-	-	-
Liu Jie	Deputy General Manager	In office	0	-	-	0	-	-	-
Zhang Jingfan	Chief Accountant	In office	0	-	-	0	-	-	-
Ma Lianyong	Secretary to the Board	In office	10,000	-	-	10,000	-	-	-
Zhang Xiaogang	Former Chairman	Resigned	10,000	300	1,000	9,300	-	-	-
Tang Fuping	Former Vice Chairman	Resigned	10,000	-	-	10,000	-	-	-
Yang Hua	Former Vice Chairman	Resigned	10,000	-	-	10,000	-	-	-

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

Save as disclosed above, as at 30 June 2015, none of the Directors, Supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to notify the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) set out in Appendix 10 of the Hong Kong Listing Rules.

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

On 30 March 2015, the resignations of Mr. Zhang Xiaogang and Mr. Tang Fuping as the Directors of the Company were approved at the 32nd meeting of the Sixth Session of the Board of the Company.

On 30 March 2015, the resignation of Mr. Jing Fengru as the Deputy General Manager of the Company was approved at the 32nd meeting of the Sixth Session of the Board of the Company.

On 3 June 2015, Mr. Yao Lin and Mrs. Zhang Lifen were elected as the executive Directors of the Sixth Session of the Board of the Company at the 2014 annual general meeting.

On 3 June 2015, Mr. Yao Lin was elected as the Chairman of the Board at the 36th meeting of the Sixth Session of the Board of the Company.



### **III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(CONTINUED)***

On 3 June 2015, the resignation of Mr. Yang Hua as the Director of the Company was approved at the 36th meeting of the Sixth Session of the Board of the Company.

On 3 June 2015, the resignation of Mr. Ma Lianyong as the Director and Chief Accountant of the Company was approved at the 36th meeting of the Sixth Session of the Board of the Company.

On 3 June 2015, the appointment of Mr. Zhang Jingfan as the Chief Accountant of the Company was approved at the 36th meeting of the Sixth Session of the Board of the Company.

For foreign currency borrowings, the Group's U.S. dollars borrowings amounted to USD400 million. Due to the adjustment to the pricing mechanism of the median price by the central bank on 11 August 2015, there was a drastic depreciation in RMB, and the exchange rate of U.S. dollars to RMB changed from 6.1136 (the exchange rate on 30 June 2015) to 6.3986 (the exchange rate on 28 August 2015). From 30 June 2015 up to the approval date of this report, it is expected that the Group will record a currency exchange loss of RMB114 million.

# Consolidated Balance Sheet

As of June 30, 2015  
 Prepared by: Angang Steel Company Limited  
 Monetary unit: RMB million

Assets	Notes	30 June 2015	31 December 2014
<b>Current assets:</b>			
Cash at bank and on hand	6(1)	2,190	1,712
Financial assets at fair value through profit or loss			
Notes receivable	6(2)	7,922	8,607
Accounts receivable	6(3)	1,788	1,835
Prepayments	6(5)	3,723	3,587
Dividends receivable	6(6)	60	
Other receivables	6(4)	39	18
Inventories	6(7)	10,331	10,865
Non-current assets due within 1 year			
Other current assets			
<b>Total current assets</b>		<b>26,053</b>	26,624
<b>Non-current assets:</b>			
Available-for-sale financial assets	6(8)	852	869
Long-term equity investments	6(9)	2,538	3,135
Investment properties			
Fixed assets	6(10)	46,045	46,122
Construction in progress	6(11)	6,784	5,933
Construction material	6(12)	246	38
Intangible assets	6(13)	6,157	6,234
Long-term deferred expenses			
Deferred income tax assets	6(14)	2,323	2,336
Other non-current assets			
<b>Total non-current assets</b>		<b>64,945</b>	64,667
<b>Total assets</b>		<b>90,998</b>	91,291

Legal Representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Comptroller:  
**Che Chengwei**

Liabilities and shareholders' equity	Notes	30 June 2015	31 December 2014
<b>Current liabilities:</b>			
Short-term loans	6(15)	15,435	14,672
Notes payable	6(16)	460	356
Accounts payable	6(17)	7,785	8,289
Advances from customers	6(18)	2,276	3,332
Employee benefits payable	6(19)	296	228
Tax and surcharges payable	6(20)	(33)	76
Interests payables	6(21)	137	203
Other payables	6(22)	1,818	1,894
Non-current liabilities due within 1 year	6(23)	1,187	1,701
Other current liabilities	6(24)	6,000	6,000
<b>Total current liabilities</b>		<b>35,361</b>	<b>36,751</b>
<b>Non-current liabilities:</b>			
Long-term loans	6(25)	2,231	1,371
Bonds payable	6(26)	3,990	3,983
Long-term employee benefits payable	6(27)	1	1
Deferred income	6(28)	959	969
Deferred income tax liabilities	6(14)	23	20
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>7,204</b>	<b>6,344</b>
<b>Total liabilities</b>		<b>42,565</b>	<b>43,095</b>
<b>Shareholders' equity:</b>			
Share capital	6(29)	7,235	7,235
Capital reserve	6(30)	31,519	31,154
Other comprehensive income	6(31)	15	7
Special reserve	6(32)	58	30
Surplus reserve	6(33)	3,580	3,580
Undistributed profit	6(34)	5,616	5,787
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		48,023	47,793
Minority interests		410	403
<b>Total shareholders' equity</b>		<b>48,433</b>	<b>48,196</b>
<b>Total liabilities and shareholders' equity</b>		<b>90,998</b>	<b>91,291</b>

Legal Representative:  
Yao Lin

Chief Accountant:  
Zhang Jingfan

Comptroller:  
Che Chengwei

# Consolidated Income Statement

For the six months ended 30 June 2015  
 Prepared by: Angang Steel Company Limited  
 Monetary unit: RMB million

Items	Notes	For the six months ended 30 June	
		2015	2014
<b>1. Operating income</b>		<b>28,992</b>	38,177
Including: Operating income	6(35)	<b>28,992</b>	38,177
<b>2. Operating costs</b>		<b>29,134</b>	37,808
Less: Operating costs	6(35)	<b>25,402</b>	34,154
Business tax and surcharges	6(36)	<b>148</b>	75
Marketing expenses	6(37)	<b>1,191</b>	1,034
Administrative expenses	6(38)	<b>911</b>	831
Financial expenses	6(39)	<b>618</b>	679
Impairment losses on assets	6(41)	<b>864</b>	1,035
Add: Gains/losses from fair value variation			
Investment income	6(40)	<b>227</b>	405
Including: Income from investment in jointly ventures and associates		<b>170</b>	320
<b>3. Operating profit</b>		<b>85</b>	774
Add: Non-operating income	6(42)	<b>92</b>	81
Less: Non-operating expenses	6(43)	<b>12</b>	37
Including: Losses on non-current assets disposal		<b>6</b>	32
<b>4. Profit before income tax</b>		<b>165</b>	818
Less: Income tax expenses	6(44)	<b>14</b>	241
<b>5. Net profit for the period</b>		<b>151</b>	577
The net profit belongs to the owners of the company		<b>155</b>	577
Minority interest income		<b>(4)</b>	

Items	Notes	For the six months ended 30 June	
		2015	2014
<b>6. The net amount after tax of other comprehensive income</b>	6(31)	<b>8</b>	(4)
(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			
(2) The other comprehensive income which can be classified into profit or loss	6(31)	<b>8</b>	(4)
a. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method	6(31)	<b>(1)</b>	
b. The profit or loss from the change at fair value of available-for-sale financial assets	6(31)	<b>9</b>	(4)
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			

# Consolidated Balance Sheet *(continued)*

*For the six months ended 30 June 2015  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million*

Items	Notes	For the six months ended 30 June	
		2015	2014
<b>7. Earnings per share</b>			
(1) Basic earnings per share <i>(RMB/share)</i>		<b>0.021</b>	0.080
(2) Diluted earnings per share <i>(RMB/share)</i>		<b>0.021</b>	0.080
<b>8. Total comprehensive income</b>		<b>159</b>	573
The other comprehensive income belongs to the owners of the company		<b>163</b>	573
The other comprehensive income belongs to the minority		<b>(4)</b>	

*Legal Representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Comptroller:*  
**Che Chengwei**

## Consolidated Cash Flow Statement

Items	Notes	2015	2014
<b>1. Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		<b>24,869</b>	35,694
Refund of tax and fare			19
Other cash received from operating activities	6(46)	<b>159</b>	86
<b>Sub-total of cash inflows</b>		<b>25,028</b>	35,799
Cash paid for goods and services		<b>18,585</b>	30,825
Cash paid to and for the employees		<b>2,078</b>	1,849
Cash paid for all types of taxes		<b>1,185</b>	406
Other cash paid for operating activities	6(46)	<b>1,489</b>	1,334
<b>Sub-total of cash outflows</b>		<b>23,337</b>	34,414
<b>Net cash flow from operating activities</b>	6(46)	<b>1,691</b>	1,385
<b>2. Cash flows from investing activities:</b>			
Cash received from return of investments		<b>88</b>	
Cash received from investment income		<b>722</b>	535
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		<b>2</b>	1
Net cash received from disposal of subsidiaries and other operating units			
Other cash received from investment activities	6(46)	<b>24</b>	88
<b>Sub-total of cash inflows</b>		<b>836</b>	624
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		<b>2,351</b>	1,424
Cash paid for acquisition of investments		<b>34</b>	578
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities	6(46)		
<b>Sub-total of cash outflows</b>		<b>2,385</b>	2,002
<b>Net cash flow from investing activities</b>		<b>(1,549)</b>	(1,378)



# Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2015  
 Prepared by: Angang Steel Company Limited  
 Monetary unit: RMB million

Items	Notes	2015	2014
<b>3. Cash flows from financing activities:</b>			
Cash received from absorbing investments		10	
Including: Received of subsidiary from minority shareholders		10	
Cash received from borrowings		17,398	11,936
Other cash received from financing activities			
<b>Sub-total of cash inflows</b>		<b>17,408</b>	11,936
Cash paid for settling of debts		15,930	10,923
Cash paid for distribution of dividends or profit and repayment of interests		1,133	932
Including: Dividends or profit paid to minority shareholders			
Other cash paid for financing activities		6	
<b>Sub-total of cash outflows</b>		<b>17,069</b>	11,855
<b>Net cash inflow from financing activities</b>		<b>339</b>	81
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>(3)</b>	
<b>5. Net increase in cash and cash equivalents</b>	6(47)	<b>478</b>	88
Add: Cash and cash equivalents brought forward	6(47)	1,712	1,126
<b>6. Cash and cash equivalents carried forward</b>	6(47)	<b>2,190</b>	1,214

Legal Representative:  
Yao Lin

Chief Accountant:  
Zhang Jingfan

Comptroller:  
Che Chengwei

As at 30 June 2015

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

## Consolidated Statement of Changes in Shareholders' Equity

Items	As at 30 June 2015										
	Shareholders' equity attributable to shareholders of the parent company										Total of shareholders' equity
	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 of 31 Dec. 2013</b>	7,235	31,154		7	30	3,580		5,787		403	48,196
Add: Changes of accounting policy											
Correction of prior year errors											
Others											
<b>2. Balance as of 1 Jan. 2014</b>	7,235	31,154		7	30	3,580		5,787		403	48,196
<b>3. Increase/decrease in 2014 ("-" represents loss)</b>		365		8	28			(171)		7	237
(1) Total amount comprehensive income				8				155		(4)	159
(2) Capital introduced or withdrawn by owners										11	11
i. Capital introduced by owners										11	11
ii. Amount of shares-based payment recorded in owner's equity											
iii. Others											
(3) Profit distribution								(326)		(326)	
i. Transfer to surplus reserve											
ii. Transfer to general risk reserve											
iii. Distribution to shareholders								(326)		(326)	
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					28						28
i. Extracts of this period					34						34
ii. Usage of this period					(6)						(6)
(6) Others		365									365
<b>4. Balance as of 31 Dec. 2014</b>	7,235	31,519		15	58	3,580		5,616		410	48,433

Legal Representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Comptroller:  
**Che Chengwei**

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

As at 30 June 2015

Prepared by: Angang Steel Company Limited

Monetary unit: RMB million

Items	As at 31 December 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 of 31 Dec. 2012</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 of 1 Jan. 2013</b>	7,235	31,155		(19)	21	3,580		5,054		64	47,090
<b>3. Increase/decrease in 2013 (* represents loss)</b>		(1)		26	9			733		339	1,106
(1) Total amount 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 of 31 Dec. 2013</b>	7,235	31,154		7	30	3,580		5,787		403	48,196

Legal Representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Comptroller:  
**Che Chengwei**

Assets	Notes	30 June 2015	31 December 2014
<b>Current assets:</b>			
Cash at banks and on hand		619	548
Financial assets at fair value through profit or loss			
Notes receivable		7,869	8,553
Accounts receivable	16(1)	3,266	3,122
Prepayments		2,900	3,108
Interests receivable			
Dividends receivable		60	
Other receivables	16(2)	33	17
Inventories		8,824	9,436
Non-current assets due within 1 year			
Other current assets			
<b>Total current assets</b>		<b>23,571</b>	<b>24,784</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets		852	869
Long-term equity investments	16(3)	4,160	4,727
Investment property			
Fixed assets		45,791	45,983
Construction in progress		6,069	5,441
Construction materials		208	37
Intangible assets		5,788	5,862
Long-term deferred expenses			
Deferred income tax assets		2,273	2,286
Other non-current assets			
<b>Total non-current assets</b>		<b>65,141</b>	<b>65,205</b>
<b>Total assets</b>		<b>88,712</b>	<b>89,989</b>

Legal Representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Comptroller:  
**Che Chengwei**

# Balance Sheet (continued)

As at 30 June 2015  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million

Liabilities and shareholders' equity	Notes	30 June 2015	31 December 2014
<b>Current liabilities:</b>			
Short-term loans		14,565	14,322
Notes payable		454	339
Accounts payable		7,622	8,024
Advances from customers		1,946	3,043
Employee benefits payable		295	228
Tax and surcharges payable		238	309
Interests payables		130	203
Other payables		1,690	1,855
Non-current liabilities due within 1 year		1,171	1,701
Other current liabilities		6,000	6,000
<b>Total current liabilities</b>		<b>34,111</b>	<b>36,024</b>
<b>Non-current liabilities:</b>			
Long-term loans		1,601	1,272
Bonds payable		3,990	3,983
Long-term employee benefits payable		1	1
Deferred income		745	755
Deferred income tax liabilities		23	20
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>6,360</b>	<b>6,031</b>
<b>Total liabilities</b>		<b>40,471</b>	<b>42,055</b>
<b>Shareholders' equity:</b>			
Share capital		7,235	7,235
Capital reserve		31,565	31,200
Other comprehensive income		15	7
Special reserve		58	30
Surplus reserves		3,570	3,570
Undistributed profits		5,798	5,892
<b>Total shareholders' equity</b>		<b>48,241</b>	<b>47,934</b>
<b>Total liabilities and shareholders' equity</b>		<b>88,712</b>	<b>89,989</b>

Legal Representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Comptroller:  
**Che Chengwei**

# Income Statement

Items	Notes	2015	2014
<b>1. Operating income</b>	16(4)	<b>28,908</b>	37,820
Less: Operating costs	16(4)	<b>25,286</b>	33,848
Business tax and surcharges		<b>147</b>	75
Marketing expenses		<b>1,160</b>	989
Administrative expenses		<b>897</b>	819
Financial expenses		<b>617</b>	679
Impairment losses on assets		<b>859</b>	1,035
Add: Gains/losses from fair value variation			
Investment income	16(5)	<b>227</b>	405
Including: Income from investment in jointly ventures and associates		<b>170</b>	320
<b>2. Operating profit</b>		<b>169</b>	780
Add: Non-operating income		<b>88</b>	80
Less: Non-operating expenses		<b>12</b>	37
Including: Losses on non-current assets disposal		<b>6</b>	32
<b>3. Profit before income tax</b>		<b>245</b>	823
Less: Income tax expenses		<b>13</b>	239
<b>4. Net profit for the period</b>		<b>232</b>	584
<b>5. The net amount after tax of Other     comprehensive income</b>		<b>8</b>	(4)

# Income Statement (continued)

For the six months ended 30 June 2015  
 Prepared by: Angang Steel Company Limited  
 Monetary unit: RMB million

Items	Notes	2015	2014
<b>6. 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		8	(4)
(2) The other comprehensive income which can be classified into profit or loss		(1)	
a. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method		9	(4)
b. The profit or loss from the change of the fair value of available-for-sale financial assets			
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			
<b>7. Total comprehensive income</b>		<b>240</b>	<b>580</b>

Legal Representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Comptroller:  
**Che Chengwei**

# Cash Flow Statement

Items	Notes	2015	2014
<b>1. Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		<b>24,665</b>	35,513
Refund of tax and fare			19
Other cash received from operating activities		<b>152</b>	84
<b>Sub-total of cash inflows</b>		<b>24,817</b>	35,616
<hr/>			
Cash paid for goods and services		<b>18,421</b>	30,708
Cash paid to and for employees		<b>2,053</b>	1,828
Cash paid for all types of taxes		<b>1,173</b>	393
Other cash paid for operating activities		<b>1,444</b>	1,305
<b>Sub-total of cash outflows</b>		<b>23,091</b>	34,234
<b>Net cash flow from operating activities</b>		<b>1,726</b>	1,382
<hr/>			
<b>2. Cash flows from investing activities:</b>			
Cash received from return of investments		<b>88</b>	
Cash received from investment income		<b>722</b>	535
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		<b>1</b>	1
Other cash received from investment activities		<b>21</b>	87
<b>Sub-total of cash inflows</b>		<b>832</b>	623
<hr/>			
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		<b>1,680</b>	1,270
Cash paid for acquisition of investments		<b>64</b>	845
Other cash paid for investment activities		<b>30</b>	
<b>Sub-total of cash outflows</b>		<b>1,774</b>	2,115
<b>Net cash flow from investing activities</b>		<b>(942)</b>	(1,492)



# Cash Flow Statement *(continued)*

*For the six months ended 30 June 2015  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million*

Items	Notes	2015	2014
<b>3. Cash flows from financing activities</b>			
Cash received from absorbing investments			
Cash received from borrowings		<b>16,297</b>	11,936
Other cash received from financing activities			
<b>Sub-total of cash inflows</b>		<b>16,297</b>	11,936
Cash paid for settling of debts		<b>15,897</b>	10,923
Cash paid for distribution of dividends or profit and repayment of interests		<b>1,110</b>	930
Other cash paid for financing activities			
<b>Sub-total of cash outflows</b>		<b>17,007</b>	11,853
<b>Net cash inflow from financing activities</b>		<b>(710)</b>	83
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>(3)</b>	
<b>5. Net increase in cash and cash equivalents</b>		<b>71</b>	(27)
Add: Cash and cash equivalents brought forward		<b>548</b>	873
<b>6. Cash and cash equivalents carried forward</b>		<b>619</b>	846

*Legal Representative:*

**Yao Lin**

*Chief Accountant:*

**Zhang Jingfan**

*Comptroller:*

**Che Chengwei**

## Statement of Changes in Shareholders' Equity

Items	As at 30 June 2015							Total of shareholders' equity	
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Undistributed profit
<b>1. Balance as of 31 Dec. 2013</b>	7,235	31,200		7	30	3,570		5,892	47,934
Add: Changes of accounting policy									
Correction of prior year errors									
Others									
<b>2. Balance as of 1 Jan. 2014</b>	7,235	31,200		7	30	3,570		5,892	47,934
<b>3. Increase/decrease in 2014 ("-" represents loss)</b>		365		8	28			(94)	307
(1) Total amount comprehensive income				8				232	240
(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								(326)	(326)
i. Transfer to surplus reserve									
ii. Transfer to general risk reserve									
iii. Distribution to shareholders								(326)	(326)
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					28				28
i. Extracts of this period					34				34
ii. Usage of this period					(6)				(6)
(6) Others		365							365
<b>4. Balance as of 31 Dec. 2014</b>	7,235	31,565		15	58	3,570		5,798	48,241

Legal Representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Comptroller:  
**Che Chengwei**

# Statement of Changes in Shareholders' Equity (continued)

As at 30 June 2015  
Prepared by: Angang Steel Company Limited  
Monetary unit: RMB million

Items	As at 31 December 2014							Total of shareholders' equity	
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Undistributed profit
<b>1. Balance as of 31 Dec. 2012</b>	7,235	31,201		(19)	21	3,570		5,114	47,122
Add: Changes of accounting policy									
Correction of prior year errors									
Others									
<b>2. Balance as of 1 Jan. 2013</b>	7,235	31,201		(19)	21	3,570		5,114	47,122
<b>3. Increase/decrease in 2013 ("-" represents loss)</b>									
(1) Total amount comprehensive income		(1)		26	9			778	812
(2) Capital introduced or withdrawn by owners				26				973	999
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)
<b>4. Balance as of 31 Dec. 2013</b>	7,235	31,200		7	30	3,570		5,892	47,934

Legal Representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Comptroller:  
**Che Chengwei**

## 1. PROFILE OF THE COMPANY

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

The financial statements have been approved by the Board of Directors on 28 August, 2015.

There are 18 subsidiaries within the scope of the consolidation, please refer to Note 8 interests in other entities. 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 of June 30, 2015, the financial performance and cash flow of the 6 months ended 30 June 2015. 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 the 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.

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

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

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

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. 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.

### (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.



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

### **(5) Methods for preparation of consolidated financial statements** *(Continued)*

#### (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.

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.

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

### (5) **Methods for preparation of consolidated financial statements** *(Continued)*

#### (b) Preparation of consolidated financial statements *(Continued)*

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 a 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, and Joint venture refers to the entity which is only entitled to the joint venture arrangement of the net assets.

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

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

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.

The Company as a joint operator recognizes in relation to its interest in a joint operation:

- (1) its assets, including its share of any assets held jointly;
- (2) its liabilities, including its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) 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 do not constitute as business, similarly hereinafter). The profit or loss resulting from the transactions is recognized only to the extent of the other parties' interests in the joint operation;

When the Company transacts with a joint operation in which the Company is a joint operator, such as a purchase of assets, the Company does not recognize its share of the profit or loss until it resells those assets to a third party.

A loss shall be recognized in the 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.

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

##### (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.

##### (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:

- (1) Difference arising from foreign currency borrowings for the purchase and construction or production of qualified assets shall be capitalized according to the Accounting Standards for Business Enterprises No. 17 – Borrowing Costs;

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

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

- (b) Translation of foreign monetary items and foreign non-monetary items *(Continued)*
  - (2) Exchange difference arising from the change in the carrying amount other than amortized cost of an available-for-sale foreign monetary item shall be recognized directly in other comprehensive income; otherwise it shall be recorded into the profit and loss.

Foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate at the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate at the date of fair value evaluation, and the translation difference, treated as the variation of fair value (including the variation of exchange rate), shall be recorded into the profit or loss at the current period 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 becomes 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 for 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 the 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.

## 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)*
    - (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.

The financial assets meeting any of the following requirements shall be designedly 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.



## **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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable recoverable amount, and the Group's intention of which is hold those investments 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 an 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.

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.

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

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

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

(iii) Loans and receivables

Loans and receivables refer to the non-derivative financial assets with fixed or determinable payment that is not quoted in the dynamic market. The Group's financial assets are classified into loans 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.

(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. Closing cost of the available-for-sale equity instrumental investment is the initial cost.

## **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 *(Continued)*

Available-for-sale financial assets shall be subsequently measured at fair value. The profit or loss arising from the changes in the fair value is 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 cannot be reliably measured, or the derivative financial assets which have to be settled by delivery related to the equity instrument.

The interests and 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 insignificant 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.

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

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

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

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.

The Group shall be ensured that almost all the risk and rewards related to 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 retains 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.

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

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

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

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

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

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

- (ii) Other financial liability

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



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

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

(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.

(g) Derivatives

Derivative instruments are initially measured at fair value at the related contract signature date and subsequently measured at fair value. In addition to a derivative instrument which is designated as a hedging instrument and a highly effective hedging instrument, the gains or losses of the fair value will be determined according to the nature of the hedging, and the fair value of the rest of the derivative instruments shall be included in the current profit and loss.

## 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.

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

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

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

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

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

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.

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

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

(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.

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.

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

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

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

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 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 are 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)*

- (b) Subsequent measurement and recognition method of gains and losses  
*(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 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 the cost method shall be measured at initial investment cost. Except those included in the consideration, dividends or profits declared enjoyed by the investor shall be recognized as the current investment income.

- (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.

## 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  
*(Continued)*

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 the acquisition date and adjusted to comply with the accounting policies and accounting periods adopted by the investor. All inter-Group unrealized profits from the jointly ventures and associates attributable to the Group shall be eliminated to recognize the investment income. If there are differences in 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 is 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(e) shall be applicable.

## 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)*
  
- (iv) Disposal of long-term equity investments *(Continued)*

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 to other comprehensive income of the equity by proportion, as the invested company disposing the related assets and liabilities.

For the other changes of the owner's equity except for the net income or losses, 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	Annual depreciation	
		Estimate residual rate (%)	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.

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

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

- (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".

- (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.

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

### **(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).

### **(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.

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

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

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

Assets eligible for capitalization refers to the fixed assets, investment properties, inventories and other assets, of which the acquisition, construction or production may take quite a long time to get ready for intended use or be sale.

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

### (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.

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

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

#### (a) Intangible assets *(Continued)*

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 subsequent 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.

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

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

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

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

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

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

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

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

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

### (21) Deferred income tax asset and liability *(Continued)*

(c) Income tax expenses

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

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

### (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.



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

### **(22) Leases** *(Continued)*

- (b) Operational lease to a lessor

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

- (c) Finance lease to a lessee

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

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

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

Post-employment benefits include making contribution plans, which 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, terminal benefits shall be recognized as long-term employee benefits if the benefits cannot be settled within 12 months after the reporting date.

The group applied a internal retirement plan which shall be accounted in terms of above-mentioned principal to 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.

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

- (a) As at 30 June 2015, no changes in accounting policies took place in the Group.
- (b) As at 30 June 2015, no changes in accounting estimate took place in the Group.

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

### (25) Corrections of prior year errors

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

### (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 the 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 the 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.

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

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

(e) Depreciation and amortization

Fixed and intangible assets are depreciated and amortized by a straight-line approach over their estimated useful life by taking the residual value into consideration. Useful life shall be periodically reviewed to determine the depreciation and amortization expenses for each reporting period and be determined on the basis of historical experience regarding analogous assets and the expected technological innovation. Significant changes to previous accounting estimates will result in adjustments against depreciation and amortization expenses in the future periods.

(f) Deferred tax assets

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

(g) Income tax

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.

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

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

(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.



**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**

In the notes below (including notes to parent's financial statements), unless otherwise indicated, the closing balance refers to the balance at 30 Jun. 2015, the opening balance refers to the balance at 31 Dec. 2014, this period refers to the 6 months ended at 30 Jun. 2015, and last period refers to the 6 months ended at 30 Jun. 2014.

**(1) Cash at bank or on hand**

Item	Closing balance RMB	Opening balance RMB
Cash:		1
Bank deposits:	<b>2,154</b>	1,696
– RMB	<b>2,154</b>	1,696
– U.S. dollar		
Other cash balance:	<b>36</b>	15
Total	<b>2,190</b>	1,712

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (2) Notes receivable

- (a) Classification of notes receivable

Items	Closing balance	Opening balance
Bank Acceptance Notes	7,922	8,607
Total	7,922	8,607

- (b) The first five pledged notes receivable

Company	Issue Date	Due Date	Closing balance
China Railway Material Group Co., Ltd.	2015.1.20– 2015.1.23	2015.7.20– 2015.7.23	70
Foshan Nanhai Huayou Metal Products Co., Ltd.	2015.2.5	2015.8.5	40
Cargill investments (China) Co., Ltd.	205.2.13	2015.7.13	31
China ORDINS Group Co. Ltd.	2015.2.11	2015.8.11	24
China World Trade Center Xiamen Group Limited by Share Ltd	2015.2.5	2015.8.5	23
Total			188

Notes: The group pledge to China Everbright Bank with the amount of 241 million notes receivables, the application issued 241 million notes payable, pledged period from Aug. 2015 to Jan. 2015.

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

- (c) Notes receivables that are not mature but have been endorsed as of Dec. 31, 2014.

Items	Derecognized amount at the end of the period	Derecognized amount at the end of the period
Bank Acceptance Notes	5,614	
Total	5,614	

- (d) No notes receivable were transferred to accounts receivable due to insolvency of the issuer as at Jun. 30, 2015.

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (3) Accounts receivable

#### (a) Classification of accounts receivable

Items	Closing balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with amounts that are individually significant and subject to separate assessment for bad debts provision	1,425	80		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	364	20	1	100
<b>Total</b>	<b>1,789</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	1,353	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>

**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	1,656	93		
1 to 2 years	132	7		
2 to 3 years				
Over 3 years	1		1	100
<b>Total</b>	<b>1,789</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	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>

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

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.

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (3) Accounts receivable (Continued)

- (d) The condition of accounts receivable of the top five debtors by the balances at the end of the period

The accounts receivable balance of top five debtors is RMB858 million in total, accounting for 48% of the balance at the end of the period, and the bad debt provision for the top five debtors was 0.

### (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	12	31		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	27	69		
Total	39	100		

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

## (a) Classification of other receivables (Continued)

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>		

## (b) Classification of other receivable according to the nature

<b>Other accounts receivable</b>	<b>Closing book value</b>	Opening book value
Petty cash		6
Cash deposit	<b>4</b>	
Other	<b>35</b>	12
<b>Total</b>	<b>39</b>	<b>18</b>

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (4) Other receivables (Continued)

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

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.

### (5) Prepayments

- (a) Prepayment classified by aging

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,007	81	2,455	69
1 to 2 years	378	10	1,054	29
2 to 3 years	295	8	26	1
Over 3 years	43	1	52	1
Total	3,723	100	3,587	100

Note: The aging of the prepayments over one year was mainly prepayment for importing engineering equipment.

- (b) The condition of prepayment of the top five debtors by the balances at the end of the period

The prepayment balance of the top five debtors is RMB3,103 million in total, accounting for 81% of the prepayment balance at the end of the period.



**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(6) Dividends receivable**

<b>Invested Company</b>	<b>Closing balance</b>	Opening balance
ANSC-TKS (Changchun) Tailored Blanks Ltd ("TKAS")	<b>28</b>	
ANSC-TKS Changchun Steel Logistics Co., Ltd. ("TKAS-SSC")	<b>26</b>	
WISDRI Engineering and Research Incorporation Limited WISDRI ("WISDRI")	<b>6</b>	
<b>Total</b>	<b>60</b>	

**(7) Inventory**

## (a) Classification of Inventory

<b>Items</b>	<b>Closing balance Inventory</b>		<b>Carrying value</b>
	<b>Book value</b>	<b>falling price reserves</b>	
Raw materials	<b>1,126</b>	<b>61</b>	<b>1,065</b>
Work in progress	<b>2,593</b>	<b>93</b>	<b>2,500</b>
Finished goods	<b>4,399</b>	<b>217</b>	<b>4,182</b>
Revolving materials	<b>954</b>		<b>954</b>
Spare parts	<b>1,480</b>		<b>1,480</b>
Materials in transit	<b>146</b>		<b>146</b>
Work in progress- outsourced	<b>4</b>		<b>4</b>
<b>Total</b>	<b>10,702</b>	<b>371</b>	<b>10,331</b>

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

**(7) Inventory (Continued)**

(a) Classification of Inventory (Continued)

Types	Book value	Opening balance 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>

(b) Changes in Inventory falling price reserves

Items	Opening balance	Increment of the period	Decrement of the period		Closing balance
			Written back	Written off	
Raw materials	1	61		1	<b>61</b>
Work in progress	339	322		568	<b>93</b>
Finished goods	206	481		470	<b>217</b>
<b>Total</b>	<b>546</b>	<b>864</b>		<b>1,039</b>	<b>371</b>

(c) Analysis of Inventory falling price reserves

- (i) The net realizable value for finished goods and the relevant raw materials is lower than the cost, therefore, provision for inventory was accrued at the end of the period.
- (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 period.

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

- (1) The classification of available-for-sale financial assets

Item	Closing value	Opening value
Listed investment	65	96
including: Hong Kong		
Mainland	65	96
Non-listed investment	787	773
Total	852	869

- (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:	852		852	869		869
Measured at fair value	65		65	96		96
Measured at cost	787		787	773		773
Total	852		852	869		869

- (3) 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	38
Fair value	65
Changes in fair value amounts accumulated through other comprehensive income	20
Provision for impairment	

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

**(8) 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	114			114
Tianjin Tiantie	185			185
Heilongjiang Longmay Mining Group Co., Ltd. (Longmay Group)	220			220
Anshan Falan Packing Material Co. Ltd. ("Falan Packing")	21			21
Dalian Shipbuilding Industry Co., Ltd Shipyard Company ("Dalian Shipyard")	151			151
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd ("China Shipbuilding")	10			10
Dalian Shipbuilding Industry Group Steel Co., Ltd ("Dalian Steel")	69			69
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. ("Guoqi Lightweight")	3			3
Changsha Baosteel Steel Processing and Distribution Co., Ltd. ("Changsha Baosteel")		14		14
<b>Total</b>	<b>773</b>	<b>14</b>		<b>787</b>

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(8) 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 period
	Opening value	Increase Decrease			
WISDRI				6	6
Tianjin Tiantie				5	
Longmay Group				1	
Falan Packing				15	
Dalian Shipyard				15	
China Shipbuilding				10	
Dalian Steel				15	
Guoqi Lightweight				7	
Changsha Baosteel				14	
Total					6

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (9) 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")	1,284			98	
The iron and steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. (ANSC – Dachuan)	226			(1)	
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	92			4	
TKAS-SSC	78			4	
Anshan Iron and steel high strength steel for Automobile Co. Ltd. of Chongqing ("Chongqing automobile steel")	50		50	2	
Minor total	1,730		50	107	
<b>b. Associated venture</b>					
TKAS	101			10	
Angang Entity Group Packing Steel Strip Company Limited ("Entity Packing")	5				
Angang Group Finance Co., Ltd ("Angang Finance")	1,130			60	(1)
Anshan Angang Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder")					
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	70			(4)	
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	98			(1)	
Shanghai chemical Po Agel Ecommerce Ltd. ("Shanghai chemical")	1				
Guangzhou Baosteel Processing Co. ("Guangzhou Baosteel")		21		(1)	
Minor total	1,405	21		64	(1)
Total	3,135	21	50	171	(1)

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(9) 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		
<b>1. Cooperative enterprise</b>					
ANSC-TKS		(650)		(5)	727
ANSC-Dachuan					225
Changchun FAM				(1)	95
TKAS-SSC		(26)			56
Chongqing automobile steel		(2)			
Minor total		(678)		(6)	1,103
<b>2. Associated enterprise</b>					
TKAS					57
Entity Packing					5
Angang Finance		(54)			1,189
Iron Oxide Powder					
Nansha Logistical					66
AISSG					97
Shanghai chemical					1
Guangzhou Baosteel					20
Minor total		(54)			1,435
Total		(732)		(6)	2,538

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (10) Fixed assets

(a) Analysis of fixed assets

Items	Opening balance	Increase of the period	Decrease of the period	Closing Balance
Cost	94,696	1,864	55	<b>96,505</b>
Buildings and Plants	26,025	527	3	<b>26,549</b>
Machineries and equipment	63,936	1,130	41	<b>65,025</b>
Others	4,735	207	11	<b>4,931</b>
Accumulated depreciation	48,539	1,936	48	<b>50,427</b>
Buildings and Plants	8,230	308	(4)	<b>8,542</b>
Machineries and equipment	36,517	1,455	46	<b>37,926</b>
Others	3,792	173	6	<b>3,959</b>
Net book value	46,157			<b>46,078</b>
Buildings and Plants	17,795			<b>18,007</b>
Machineries and Equipment	27,419			<b>27,099</b>
Others	943			<b>972</b>
Provision for impairment	35	4	6	<b>33</b>
Buildings and Plants	6			<b>6</b>
Machineries and Equipment	26	4	5	<b>25</b>
Others	3		1	<b>2</b>
Carrying value	46,122			<b>46,045</b>
Buildings and Plants	17,789			<b>18,001</b>
Machineries and Equipment	27,393			<b>27,074</b>
Others	940			<b>970</b>

Note: The depreciation of this period was RMB1,936 million. The cost of constructions in progress transferred into fixed assets is RMB1,774 million in current period.



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

(b) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying value	Notes
Houses and buildings	8	3		5	
Machineries and Equipment	253	185	5	63	
Others	9	7	1	1	
<b>Total</b>	<b>270</b>	<b>195</b>	<b>6</b>	<b>69</b>	

(c) The Group had no financial leased-in fixed asset as of 30 Jun. 2015.

(d) Fixed assets held under financial leases

Items	Closing carrying value	Opening carrying value
Buildings and Plants	<b>32</b>	33
Machineries and Equipment	<b>54</b>	56
<b>Total</b>	<b>86</b>	89

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (11) Constructions in progress

(a) Details of constructions in progress

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Bayuquan Project	3,123		3,123	3,112		3,112
Shenyang Project	119		119	119		119
Wuhan Project	31		31	139		139
Hefei Project	1		1	1		1
Guangzhou automobile project	148		148	41		41
Cool rolling project	213		213	14		14
Zhenzhou project	15		15	3		3
Guangzhou project	56		56	48		48
Dalian peoject	133		133	126		126
Chemical expansion	39		39	379		379
The upgrade technology project	615		615	279		279
Environmental protection area	121		121	503		503
Chemical coke oven renovation project	281		281	13		13
Straightening machine project	21		21	14		14
Oxygen making machine project	39		39	12		12
Others	1,829		1,829	1,130		1,130
<b>Total</b>	<b>6,784</b>		<b>6,784</b>	<b>5,933</b>		<b>5,933</b>

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

## (b) Changes in major constructions in progress

Items	Budget	Opening balance	Increase of the period	Transferred		Closing balance
				into fixed assets	Other decrease	
Bayuquan Project	6,090	3,112	126	113	2	3,123
Shenyang Project	119	119				119
Wuhan Project	170	139	10	118		31
Hefei Project	112	1				1
Guangzhou automobile project	1,145	41	107			148
Cool rolling project	1,470	14	199			213
Zhenzhou project	153	3	12			15
Guangzhou project	139	48	8			56
Dalian peoject	246	126	7			133
Chemical expansion	845	379	44	384		39
The upgrade technology project	275	279	336			615
Environmental protection area	1,000	503	410	792		121
Chemical coke oven renovation project	1,523	13	268			281
Straightening machine project	325	14	7			21
Oxygen making machine project	387	12	27			39
Others	12,392	1,130	1,066	367		1,829
<b>Total</b>		<b>5,933</b>	<b>2,627</b>	<b>1,774</b>	<b>2</b>	<b>6,784</b>

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (11) Constructions in progress (Continued)

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

Items	Accumulated capitalized borrowing cost	Of which: capitalized this period	Capitalization rate (%)	Expenditure over budget (%)	Project progress (%)	Resource of fund
Bayuquan Project	640	72	5.78	46	46	Self-financing, Borrowings
Shenyang Project				72	72	Self-financing, Borrowings
Wuhan Project	6	1	6.4	52	52	Self-financing, Borrowings
Hefei Project			5.54	100	100	Self-financing
Guangzhou automobile project	11	11	6.436	12	12	Self-financing, Borrowings
Cool rolling project	25	15	4,2892	15	15	Self-financing, Borrowings
Zhenzhou project						Self-financing, Borrowings
Guangzhou project	2	2	6	54	54	Self-financing, Borrowings
Dalian peoject		(1)		54	54	Self-financing, Borrowings
Chemical expansion	211	2	5.1	98	98	Self-financing, Borrowings
The upgrade technology project	20	12	5.1	95	95	Self-financing, Borrowings
Environmental protection area	25	10	5.1	89	89	Self-financing, Borrowings
Chemical coke oven renovation project	58	8	5.1	66	66	Self-financing, Borrowings
Straightening machine project				7	7	Self-financing, Borrowings
Oxygen making machine project	3	2	5.1	15	15	Self-financing, Borrowings
Others	508	9	5.1			
<b>Total</b>	<b>1,509</b>	<b>143</b>				

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

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

(c) The Group had no financial leased-in fixed asset as at 30 Jun. 2015.

**(12) Construction materials**

<b>Items</b>	<b>Closing value</b>	Opening value
Special material		1
Special equipment	<b>246</b>	37
Total	<b>246</b>	38

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Intangible assets

Items	Opening balance	Increase of the period	Decrease of the period	Closing Balance
<b>Total cost</b>	7,632	2		<b>7,634</b>
Land use right	7,552			<b>7,552</b>
Software	48	2		<b>50</b>
Non-patented technology	32			<b>32</b>
<b>Accumulative amortization</b>	1,398	79		<b>1,477</b>
Land use right	1,324	77		<b>1,401</b>
Software	42	2		<b>44</b>
Non-patented technology	32			<b>32</b>
<b>Total net book value</b>	6,234			<b>6,157</b>
Land use right	6,228			<b>6,151</b>
Software	6			<b>6</b>
Non-patented technology				
<b>Total provision for impairment</b>				
Land use right software				
Non-patented technology				
<b>Total book value</b>	6,234			<b>6,157</b>
Land use right	6,228			<b>6,151</b>
Software	6			<b>6</b>
Non-patented technology				

Note: The amortization of this period was RMB79 million.

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

(a) Recognized deferred income tax assets

Items	Closing balance		Opening balance	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Provision for impairment of fixed assets	145	582	145	582
Deductible loss	1,873	7,492	1,886	7,548
Salaries payable	44	177	44	177
Accumulated depreciation of fixed assets	5	19	5	19
Unrealized inter-group profit	53	211	53	211
Government grants	189	755	189	755
Fair value variation on available-for-sale financial assets				
Termination benefits	1	3	1	3
Employee training expenses	13	52	13	52
<b>Total</b>	<b>2,323</b>	<b>9,291</b>	<b>2,336</b>	<b>9,347</b>

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

**(14) Deferred income tax assets/deferred income tax liabilities**  
(Continued)

(b) Recognized deferred income tax liabilities

Items	Closing balance		Opening balance	
	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference
Fair value variation on available-for-sale financial assets	7	27	4	15
Capitalized borrowing costs	16	65	16	65
<b>Total</b>	<b>23</b>	<b>92</b>	<b>20</b>	<b>80</b>

**(15) Short-term loans**

Items	Closing balance	Opening balance
Guaranteed loans	5,995	5,998
Credit loans	9,440	8,674
<b>Total</b>	<b>15,435</b>	<b>14,672</b>

Note: The guarantee loans of the short-term loans are mainly used to replenish working capital, which is guaranteed by Angang group.



**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(16) Notes payable**

<b>Types of notes</b>	<b>Closing balance</b>	Opening balance
Bank acceptances	<b>460</b>	356
<b>Total</b>	<b>460</b>	356

Note: All the expired notes payable have been paid at the end of the period.

**(17) Account payables**

(a) Classification of account payables by nature

<b>Items</b>	<b>Closing balance</b>	Opening balance
Account payables for purchasing	<b>7,421</b>	7,671
Construction payables	<b>261</b>	491
Operation expenses on supporting production	<b>41</b>	59
Freight	<b>6</b>	15
Others	<b>56</b>	53
<b>Total</b>	<b>7,785</b>	8,289

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (17) Account payables (Continued)

(b) Significant account payables aging over 1 year

Creditor	Balance owed	Aging
Tangyuan Tianyu Coal & Coke Energy Co., Ltd.	43	2–3year
Total	43	

(c) Aging of account payables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	7,726	100	8,202	100
1 to 2 years	1		1	
2 to 3 years	43		43	
Over 3 years	15		43	
Total	7,785	100	8,289	100

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(18) Advances from customers**

- (a) Classification of advances from customers by nature

Items	Closing balance	Opening balance
Selling of products	2,275	3,332
Others	1	
<b>Total</b>	<b>2,276</b>	3,332

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

**(19) Employee benefits payable**

- (a) The situation about employee benefits payable

Item	Opening value	Increase	Decrease	Closing value
A. Short-term remuneration	226	2,146	2,077	295
B. Termination benefits	2	20	21	1
<b>Total</b>	228	2,166	2,098	<b>296</b>

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

**(19) Employee benefits payable (Continued)**

(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	170	1,252	1,235	<b>187</b>
2. Staff welfare		169	118	<b>51</b>
3. Social insurance		487	487	
Including: Basic medical				
insurance		91	91	
Supplementary				
pension				
insurance		27	27	
Basic pension				
insurance		260	260	
Annuity payment				
(Supplementary				
pension				
insurance)		83	83	
Unemployment				
insurance		13	13	
Staff and workers'				
injury insurance		13	13	
Others				
4. Housing fund		173	173	
5. Labor union fee and				
staff training fee	56	28	27	<b>57</b>
6. Others		37	37	
<b>Total</b>	<b>226</b>	<b>2,146</b>	<b>2,077</b>	<b>295</b>

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(20) Taxes and surcharges payable**

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
VAT	(5)	713	803	(95)
Business tax	1	1	1	
Resource tax	1	1	2	
Corporate income tax	(15)	1	2	(15)
City maintenance and construction tax	20	85	89	16
Property tax	9	58	57	10
Land use tax	24	146	145	24
Individual income tax	5	26	26	6
Educational surcharges	8	37	38	7
Local educational surcharges	6	24	25	5
Stamp tax	5	19	21	3
Others	17	141	152	6
<b>Total</b>	<b>76</b>	<b>1,252</b>	<b>1,361</b>	<b>(33)</b>

**(21) Interests payable**

Items	Closing balance	Opening balance
Interest for short-term financing bonds	111	93
Interest for long-term financing bonds	7	
Interest for medium term note	19	110
<b>Total</b>	<b>137</b>	<b>203</b>

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (22) Other payables

(a) Classification of other payables by nature

Items	Closing balance	Opening balance
The Energy-saving and Emission-reducing funds transferred by Angang holding	100	
Construction payables	679	882
Quality assurance - project/spare parts	648	637
Freight charges	58	68
Deposit for steel shelves	85	30
Performance assurance	118	105
Others	130	172
Total	1,818	1,894

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(22) Other payables (Continued)**

(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	98	Project quality assurance	No
Angang Mining Construction Co.	14	Project quality assurance	No
China First Heavy Machinery Group Co., LTD	32	Project quality assurance	No
China Sanye Group Co., LTD	17	Project quality assurance	No
Angang Automatism Co	13	Project quality assurance	No
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	27	Project quality assurance	No
Angang Construction Group	14	Project quality assurance	No
Others	227	Project quality assurance	No
Total	442		

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (23) Non-current liabilities due within 1 year

Long-term liabilities due within 1 year

Items	Closing balance	Opening balance
Long-term loans due within 1 year (Note: 6(25))	1,187	1,701
Total	1,187	1,701

### (24) Other current liabilities

Items	Closing balance	Opening balance
Short-term financing bonds	6,000	6,000
Total	6,000	6,000

### (25) Long-term loans

Items	Closing balance	Opening balance
Guaranteed loans	601	51
Credit loans	2,817	3,021
Minor total	3,418	3,072
Less: Long-term loans due within 1 year (Note: 6(23))	1,187	1,701
Total	2,231	1,371

Note: Guarantee loans of long-term loans, guaranteed by Angang group, were mainly used to replenish working capital and for project construction.



**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(26) 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	3,990	3,983
Total	4,000			4,000	3,990	3,983

Type of bonds	Opening balance of interests payable	Increase of the period	Decrease of the period	Closing balance of interests payable
Medium term note		110	89	19
Total		110	89	19

**(27) Long-term employee benefits payable**

Items	Closing value	Opening value
Termination benefits	1	1
Total	1	1

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (28) Deferred income

Item	Opening date	Increase	Decrease	Closing date
Government grants	969	37	47	959
Total	969	37	47	959

Among them, the projects involved the government grants are as follows:

Liabilities	Opening date	New grants	Belong to non-business - income	Other Changes	Closing date	Associated with the asset/income
Bayuquan 1450 cold-rolled project	200				200	asset
Flue gas desulphurization project	148	29	13		164	asset
Shenyang Steel plus the overall relocation project	151		1		150	asset
5500MM defense heavy plate steel project	88		5		83	asset
The support funds for Guangzhou automotive steel project	63				63	asset
Environmental funds	114		6		108	asset
ESR	37		3		34	asset
Others	168	8	19		157	asset
Total	969	37	47		959	

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(29) Share capital**

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

**(30) Capital reserve**

Item	Opening balance	Increase of the period	Decease of the period	Closing balance
Share premium	31,144			<b>31,144</b>
Other capital reserve	10	365		<b>375</b>
<b>Total</b>	<b>31,154</b>	<b>365</b>		<b>31,519</b>

Note: Capital funds transferred to capital reserve 36 million.

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) 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		Total	
	The date of this period	The date of last period	The date of this period	The date of last period	The date of this period	The date of last period
	The balance at the beginning of the period	11	(19)	(4)		7
Amount for the period before tax	12	40	(1)	(4)	11	36
Minus: Transform into profit or loss from other comprehensive income						
Minus: Income tax expenses	3	10			3	10
The after-tax amount attributed to the parent company	9	30	(1)	(4)	8	26
The after-tax amount attributed to minority shareholders						
The balance at the end of the period	20	11	(5)	(4)	15	7

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(32) Special reserve**

Item	Opening balance	Increase of the period	Decease of the period	Closing balance
Safety production expenses	30	34	6	58
Total	30	34	6	58

**(33) Surplus reserve**

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

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

**(34) Undistributed profits**

Items	This period
Opening balance	<b>5,787</b>
Increase of the period	<b>155</b>
Including: Net profit transferred this period	
Other adjustment factors	<b>155</b>
Decrease of the period	<b>326</b>
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions this period	
Distribution of cash dividend this period	<b>326</b>
Conversed capital	
Other decreases	
Closing balance	<b>5,616</b>

Note: 3 June 2015, the 2014 annual general meeting of the shareholders of the Company has reviewed and approved the Profit Distribution Plan for the year of 2014. On the basis of the total share capital as of 31 December 2014 consisting of 7,234,807,847 shares, cash dividend of RM0.045 per share shall be distributed, which amounts to the sum of RMB326 million.

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(35) Operating revenue and operating cost**

Items	This period	Last period
Prime operating revenue	<b>28,960</b>	37,961
Other operating revenue	<b>32</b>	216
Total	<b>28,992</b>	38,177
Operating cost for main business	<b>25,374</b>	34,015
Other operating cost	<b>28</b>	139
Total	<b>25,402</b>	34,154

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

**(36) Business taxes and surcharges**

Items	This period	Last period
Resources tax and business tax	<b>2</b>	1
City maintenance and construction tax	<b>85</b>	43
Educational surcharge and local educational surcharge	<b>61</b>	31
Total	<b>148</b>	75

Note: For information about standard of business taxes and surcharges, please refer to Note 5.

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (37) Marketing expenses

Items	This period	Last period
Packing expense	204	236
Delivery expense	721	582
Sales and service expense	102	75
Agency fee for commissioned sales	16	22
Employee benefits	66	67
Insurance expense	2	2
Warehouse storage expense	10	2
Others	70	48
Total	1,191	1,034

### (38) Administrative expenses

Items	This period	Last period
Employee benefits	331	221
Taxes	226	223
Amortization of intangible assets	79	77
Depreciation	38	39
Sewage fee	20	36
Assistance for production expense	48	47
Computer maintenance expense	20	16
Security and firefighting expense	34	33
Research and development costs	25	8
Afforestation fees	9	9
Others	81	122
Total	911	831



**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(39) Financial expenses**

Items	This period	Last period
Interest expense	<b>770</b>	800
Including: It has to pay off all the interests from the bank loans and other loans	<b>741</b>	704
The financial charges during the financial lease period		
Discount interest	<b>29</b>	96
Less: Interest income	<b>7</b>	4
Less: Capitalized interest expense	<b>115</b>	129
Exchange gain or loss	<b>(38)</b>	4
Less: Capitalized exchange gain or loss		
Others	<b>8</b>	8
Total	<b>618</b>	679

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (40) Investment income

Items	This period	Last period
Long-term equity investment income under the equity method		85
Long-term equity investment income under the cost method	170	320
The investment income during the holding of available-for-sale financial assets	6	
The investment income of disposal of available-for-sale financial assets	51	
Total	227	405

Note: The investment income in this period and last period was derived from unlisted companies.

### (41) Impairment losses

Items	This period	Last period
Provision for bad debts		
Provision for written-down of inventories	864	1,035
Total	864	1,035

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(42) Non-operating revenue**

Items	This year	Last year	Recorded into extraordinary gains and losses
Total gains from disposal of non-current assets	<b>5</b>	19	5
Including: Gains on fixed assets scrapped	<b>5</b>	19	5
Other gains on disposal of fixed assets			
Government grant (Disclosed in the below: Details of government grants)	<b>50</b>	60	50
Others	<b>37</b>	2	37
Total	<b>92</b>	81	92

Details of government grants:

Items	This period	Last period
R & D subsidy	<b>3</b>	1
Environmental rewards	<b>21</b>	43
Military project grants	<b>22</b>	15
Others	<b>4</b>	1
Total	<b>50</b>	60

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (43) Non-operating expenses

Items	This period	Last period	Recorded into extraordinary gains and losses
Total loss on disposal of non-current assets	6	32	6
Including: Loss on fixed assets scrapped	6	32	6
Other loss on disposal of fixed assets			
Others	6	5	6
Total	12	37	12

### (44) Income tax expenses

Items	This period	Last period
Income tax calculated according to the Tax Law and the relevant regulations	1	1
Changes on deferred income tax expenses	13	240
Total	14	241

### (45) Other comprehensive income

Note: 6(31).

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(46) Notes to the cash flow statement**

(a) Cash received from other operating activities

Items	This period	Last period
Government grants	139	65
Others	20	21
Total	159	86

(b) Cash paid for other operating activities

Items	This period	Last period
Freight fee payments for others	1,059	854
Retirement pay	117	67
Sewage fee	12	39
Computer maintenance fees	9	9
Security and firefighting expense	8	8
Green fees	10	9
Purchases and sales business fee	32	17
Insurance fee	14	26
Other operating expenses	228	305
Total	1,489	1,334

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (46) Notes to the cash flow statement *(Continued)*

(c) Cash received from other investing activities

<b>Items</b>	<b>This period</b>	Last period
Income from test run	17	84
Interest income	7	4
<b>Total</b>	<b>24</b>	88

(d) Cash paid for other financing activities

<b>Items</b>	<b>This period</b>	Last period
Intermediary fees for loans	6	
<b>Total</b>	<b>6</b>	

**6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(47) Supplement to cash flow statement**

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

Items	This period	Last period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
<b>Net profit</b>	<b>151</b>	577
Add: Provision for impairment	<b>(175)</b>	(84)
Depreciation of fixed assets	<b>1,936</b>	1,952
Amortization of intangible assets	<b>79</b>	77
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>1</b>	13
Loss on the change of fair value		
Financial expenses	<b>621</b>	675
Investment loss	<b>(227)</b>	(405)
Decrease in deferred tax assets ("-" for increase)	<b>13</b>	241
Increase in deferred tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	<b>257</b>	29
Decrease in operating receivables ("-" for increase)	<b>355</b>	1,693
Increase in operating payables ("-" for decrease)	<b>(1,356)</b>	(3,421)
Others	<b>36</b>	38
<b>Net cash flow from operating activities</b>	<b>1,691</b>	1,385
<b>2. Change in cash and cash equivalents</b>		
Cash at the end of the period	<b>2,190</b>	1,214
Less: Cash at the beginning of the period	<b>1,712</b>	1,126
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
<b>Net increase in cash and cash equivalents</b>	<b>478</b>	88

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (47) Supplement to cash flow statement *(Continued)*

(b) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
<b>1. Cash at bank and on hand</b>	<b>2,190</b>	1,712
Of which: Cash	<b>1</b>	
Bank deposits available	<b>2,154</b>	1,696
Other deposits available	<b>36</b>	15
<b>2. Cash equivalents</b>		
Of which: Bond due within 3 months		
<b>3. Closing balance of cash and cash equivalents</b>	<b>2,190</b>	1,712

## 7. CHANGES IN CONSOLIDATION SCOPE

As at 30 June 2015, no changes in consolidation scope in the Group.



**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
Anshan Iron and Steel Processing and Distribution (Dalian) Co., Ltd. ("Angang Dalian")	Dalian	Dalian	Steel Processing and Distribution	100	Establish

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interest in the subsidiary the constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registry	Nature of the business	Direct stake (%)	Acquisition
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
Zhengzhou Steel	Zhengzhou	Zhengzhou	Steel Processing and Distribution	100	Establish
Guangzhou automobile Steel	Guangzhou	Guangzhou	Fabricated Metal	100	Establish
Anshan Iron and Steel Processing and Distribution (Guangzhou) Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	Steel Processing and Distribution	75	Establish
Anshan Iron and Steel Processing and Distribution (Weifang) Co., Ltd. ("Angang Weifang")	Weifang	Weifang	Steel Processing and Distribution	51	Combination under common control
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 i")	Tianjin	Tianjin	Steel Processing and Distribution	51	Combination under common control
Anshan Iron and Steel Kobelco	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

**8. INTERESTS IN OTHER ENTITIES (Continued)**

**2. Interests in joint ventures or associates (Continued)**

(a) the important joint ventures or associates (Continued)

Name	Principal place of business	Registry	Nature of the business	Direct stake (%)	Accounting treatment
Guangzhou Baosteel	Guangzhou	Guangzhou	Production, processing, sales of steel Research on related technologies, Development, technical consultation and technology Transfer; import of goods, technology Import and export	30	Equity method

**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 period	Opening date/the date occurred in last period
Current assets	1,339	2,477
Cash and cash equivalents	225	1,259
Non-Current assets	715	747
Total Assets	2,054	3,224
Current liabilities	425	489
Non-Current liabilities	10	11
Total Liabilities	435	500
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent company	1,619	2,724
The share of the net assets calculated by the share of atake	810	1,362
Adjusting events		
– Goodwill		
– Unrealized profit resulting from intra-group trade	(83)	(78)
– Others		
The book value of equity investments in joint ventures	727	1,284
The fair value of the equity investments in joint ventures which exist the public offer		
Operating revenue	2,558	3,280
Finance costs	(2)	(4)
Income tax expenses	35	93
Net profit	196	524
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	196	524
Dividends received from joint ventures this period	650	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 period	Opening date/ the date occurred in last period
Current assets	5,868	7,532
Cash and cash equivalents	5,375	6,208
Non-Current assets	14,975	13,860
Total Assets	20,843	21,392
Current liabilities	14,870	15,722
Non-Current liabilities		
Total Liabilities	14,870	15,722
Minority interests	27	22
Subtotal of Shareholders' equity attributable to shareholders of parent company	5,946	5,648
The share of the net assets calculated by the share of atake	1,189	1,130
Adjusting events		
– Goodwill		
– Unrealized profit resulting from intra-group trade		
– Others		
The book value of equity investments in associations	1,189	1,130
The fair value of the equity investments in associations which exist the public offer		
Operating revenue	614	475
Finance costs		
Income tax expenses	101	85
Net profit	308	255
Net profit from discontinued operations		
Other comprehensive income	(5)	
The total of comprehensive income	303	255
Dividends received from associations this period		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 period	Opening date/ the date occurred in last period
Associations:		
The book value of equity investments	<b>376</b>	447
The followings are calculated by shares		
– Net profit	<b>9</b>	9
– Other comprehensive income		
– The total of comprehensive income	<b>9</b>	9
Joint ventures:	<b>246</b>	274
The book value of equity investments		
The followings are calculated by shares		
– Net profit	<b>4</b>	11
– Other comprehensive income	<b>4</b>	11
– The total of comprehensive income	<b>19</b>	19

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise equity investment, debt investments, hedging of derivative financial instruments, loans, accounts receivable, accounts payable, bonds payable and cash and cash equivalents and 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.

Sensitivity analysis techniques are adopted by the Group to analyze the rationality 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 are independent.

### (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 currency risk refers to the risk of loss due to the fluctuation of exchange rate. The foreign currency 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 June 30, 2015, other assets and liabilities of the Group are denominated in RMB balances.



**9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)****(a) The objectives and policies of risk management (Continued)**

## 1. Market risk (Continued)

## (i) Exchange risk (Continued)

Items	June 30, 2015	June 30, 2014
Bank deposits (dollar)		
Short-term loans (dollar)	400,000,000.00	250,000,000.00
Non-current liabilities due		
within one year (euro)	123,946.76	123,946.76
Long-term borrowings (euro)	185,920.19	309,866.95

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.

- A. On June 30, 2015, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6(1, 15, 23, and 25).
- B. the Group's main foreign exchange rates apply as follows:

Item	Average exchange rate		Middle exchange rate on the reporting date	
	This period	Last period	This period	Last period
dollar	6.1289	6.1431	6.1136	6.1528
euro	6.8259	8.4132	6.8699	8.3946

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (a) The objectives and policies of risk management *(Continued)*

#### 1. Market risk *(Continued)*

##### (i) Exchange risk *(Continued)*

#### C. Sensitivity analysis

On June 30, 2015, 1% increase in the foreign exchange rate would result in an increase (decrease) in net equity and profit or loss of the group's shareholders listed as follows:

Date	Item	Impact on profits	Impact on shareholders' equity
June 30, 2015	dollar euro	(18)	(18)
June 30, 2014	dollar euro	(12)	(12)

As of June 30, 2015, 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.

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. The last period analysis based on the same assumptions.

## **9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS** *(Continued)*

### **(a) The objectives and policies of risk management** *(Continued)*

#### 1. Market risk *(Continued)*

##### (ii) Interest rate risk

The Group's interest-bearing financial instruments on June 30, 2015, please refer to notes 6 (1, 15, 23, 24, 25 and 26).

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 June 30, 2015, 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 RMB170 million decrease (last period: RMB149 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 the exchange rate among the Group's balance sheet date to the next balance sheet date. Analysis of the last period 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 counter party 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 delivery.

The accounts receivable associated with the clients 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 prescribe collateral from customers.

The majority of the Group's customers have business tractions with the Group for many years; therefore, 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 June 30, 2015.

Due to the accounts receivables of the top five customers, which are accounted for 47% of the receivables and other receivables on the balance sheet date (last period: 63%), the Group may face a certain degree of credit risk concentration.

The maximum credit risk exposure faced by the Group, which is not guaranteed, is the book value of the financial assets in the balance sheet.

## **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 projected cash arrangements including the short-term investments by using the cash surpluses and loans. The Group monitor short-term and long-term liquidity requirements regularly aimed to find out whether is in compliance with the loan agreements, to ensure that the group 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(25).

## **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(8).

The fair value measurement is classified into three hierarchies, listed 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).

**10. DISCLOSURE OF THE FAIR VALUE (Continued)**

Item	The fair value at the end of the period			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	65			65

Item	The fair value at the end of the period			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

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS****(1) Information on the parent of the Company**

Group name	Related relationship	Group Type	Registration place	Legal representatives	The nature of business
Ansteel Group	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
Ansteel Group	10,794	67.29	67.29	Angang Group Corporation	24142001-4

**(2) Information on the subsidiaries of the Company**

Disclosed in Note 8(1) Subsidiaries.

**(3) Information on the joint ventures and associates of the Group**

Disclosed in Note 8(2) Investment in joint ventures and associates.

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (4) Related parties without control relationship

Name of enterprise	Relation with the Company	Organization code
ANSC-TKS	Joint venture	71093688-2
ANSC-Dachuan	Joint venture	75990387-0
TKAS-SSC	Joint venture	785926056
Changchun FAM	Joint venture	76717649-0
Chongqing automotive steel	Joint venture	09453042-3
TKAS	Associate	767159789
Angang Finance	Associate	1188857-2
Nansha Logistical	Associate	57995211-4
Anshan Jingu	Associate	31138104-X
Shanghai Chemical	Associate	57078986-7
Falan Packing	Fellow subsidiary	57090841-6
Angang Trade	Fellow subsidiary	24142372-5
Angang Construction Group	Fellow subsidiary	94129158-3
Angang Heavy Machine Co., Ltd	Fellow subsidiary	24150326-6
Angang Fire-resistant Material Co	Fellow subsidiary	94126547-3
Angang Steel Rope Co., Ltd.	Fellow subsidiary	94126496-4
Angang Mining Co	Fellow subsidiary	24150404-X
Angang Entity Group	Fellow subsidiary	24142765-4
Angang House Property Co.	Fellow subsidiary	94126840-4
Angang Railway Transport Facilities Construction Co.	Fellow subsidiary	94121854-6
Angang Real Estate Development Co., Ltd	Fellow subsidiary	11886337-0
Angang mechanization loading Co.	Fellow subsidiary	94126489-2
Angang Mining Construction Co.	Fellow subsidiary	664557266
Angang Engineering Technology Co., Ltd	Fellow subsidiary	79159132-8
Angang Electric Co., Ltd	Fellow subsidiary	94126485-X
Angang Automatism Co	Fellow subsidiary	94126643-3
Angang Auto Transport Co., Ltd	Fellow subsidiary	94126444-6



**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**  
(Continued)**(4) Related parties without control relationship (Continued)**

<b>Name of enterprise</b>	<b>Relation with the Company</b>	<b>Organization code</b>
Angang Reception Service Co.	Fellow subsidiary	94121967-X
Anshan Iron and Steel Group Co., Ltd. Chaoyang	Fellow subsidiary	664560991
Pangang Steel Vanadium and Titanium Co., Ltd	Fellow subsidiary	204360956
Pangang Steel Metallurgical Engineering Technology Co.,Ltd	Fellow subsidiary	204363911
Pangang Steel Chengdu Steel Vanadium co., Ltd	Fellow subsidiary	690908074
Anshan Angang Vesuvius Refractory Co., Ltd	Joint venture of the parent company	686619528
Anshan Jidong Cement Co., Ltd	Joint venture of the parent company	77077858X
Tianjing Tiantie	Joint venture of the parent company	664560991

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related-party transactions

(a) Related-party transactions within Ansteel Group

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

Contents	Pricing Policy	This period		Last period	
		Amount	Percent of similar trade (%)	Amount	Percent of similar trade (%)
Raw materials	Note.i	5,218	63	7,753	47
Steel products	Note.ii	11	100	73	100
Supplementary materials	Note.ii	1,206	40	1,127	25
Energy and power supplies	Note.iii	941	40	834	33
Support services	Note.iv	2,170	45	2,065	61
<b>Total</b>		<b>9,546</b>		<b>11,852</b>	

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

Contents	Pricing Policy	This period		Last period	
		Amount	Percent of similar trade (%)	Amount	Percent of similar trade (%)
Products	Note.v	1,059	4	1,895	5
Scrap steel and materials		117	83	85	57
General services	Note.vi	369	48	395	38
<b>Total</b>		<b>1,545</b>		<b>2,375</b>	

## 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

Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This period		Last period	
		Amount	Percent of related transactions	Amount	Percent of related transactions (%)
Raw materials	Note.i	767	15	754	7
Total		767		754	

Notes:

- i. The iron ore concentrate purchase price is not higher than the average import prices of (T-2) month quotation from China customs plus freight charges and adjustment for grade. The price is adjusted by 10 yuan per ton for one percentage of the grade based on the weighted average grade of iron concentrate imports and an extra 5% discount for importing average prices of the (T-2) months. The pellets ore is measured at market price plus sintering cost of (T-2) month (processing cost is not higher than similar products) (where T is the current month); Magnetite reference price is measured at the sum 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 ton 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;

## 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)*

- ii. The purchasing prices are not higher than the average prices charged to independent customers;
- iii. Mainly at state prices, or operating costs plus 5% of gross profit margin;
- iv. At state-fixed 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 measured 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 measured, if there is a market price, at the market price, and if not, at the cost plus a reasonable profit;

The sieve powder is measured at sintered iron ore price deducted the cost of sintering procedures performed by Angang Holding.

Retired and idle assets are mainly measured at market prices or assessing prices.

- vi. At the state prices, or operating costs plus 5% of gross profit margin, or market prices.

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**  
(Continued)**(5) Related-party transactions (Continued)**

## (c) Guarantee of loans

Warrantor	Warranty	Amount Guaranteed	Starting date	Expiring date	Whether fulfilled
Ansteel Group	Angang Hefei	21	May 5, 2013	Sep. 6, 2016	No
Ansteel Group	The audited company	5,998	Sep. 19, 2014	May 27, 2016	No
Ansteel Group	Angang guangzhou	80	Feb. 10, 2015	Feb. 9, 2018	No

## (d) Other related-party transactions

## (i) Service from sales agent

This period, the export sales agent service provided Angang Trade were 137 million tons respectively (108 million tons respectively for the last period).

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

## A. Sales of products

Name of enterprise	Sales in this period	Sales in last period
ANSC-TKS	1,766	2,220
TKAS-SSC	131	152
Changchun FAM	42	58
TKAS		37
Binhai Industry	27	

## 11. RELATED PARTIES AND RALATED PARTY TRANSACTIONS (Continued)

### (5) Related-party transactions (Continued)

#### (d) Other related-party transactions (Continued)

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

##### B. Service of sales agent

The amount paid to TKAS-SSC for their sales agent service was RMB1 million for this period (RMB1 million for the last period).

#### (iii) Equity transfer

The group with 52 million yuan price will be held in Chongqing automobile steel 50% equity transfer to the Panzhuhua Iron and Steel Group, Xichang Steel Vanadium Co., Ltd..

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

Items	Annual interest rate	Opening balance	Increment	Decrement	Closing balance	Terms of credit
Loans	5.54-6	21	80		101	Guarantee Loans
Deposit		766			621	

This period, the Group's interest income of deposit in Angang Finance was RMB5 million (last period: RMB2 million) and the interest expenditure for loans from Angang finance was RMB10 million (last period: RMB26 million). The highest daily deposit in Angang Finance in this period was RMB1,488 million (last period: 3,426 million).

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**  
(Continued)**(5) Related-party transactions (Continued)**

(d) Other related-party transactions (Continued)

(v) Loan and interest paid to Ansteel Group

Items	Annual interest rate	Opening balance	Increment	Decrement	Closing balance	Terms of credit
Loan	5.4	715	520	365	<b>870</b>	Credit Loan

The Ansteel Group entrusted the Angang Finance to grant and manage the loans, and the loan interest expenditure in this period was RMB22 million (last period: 0 million).

(e) Remuneration of the directors, supervisors and senior management

Items	This period	Last period
Directors' fees		
Other remuneration:		
Salaries, allowances and non-cash amount of interest	<b>0.68</b>	0.51
Performance-related bonus		
Equity-settled share option expenses	<b>0.16</b>	0.11
Pension plan contributions	<b>0.17</b>	0.11
Other remuneration		
<b>Total</b>	<b>1.01</b>	0.73

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related-party transactions (Continued)

- (e) Remuneration of the directors, supervisors and senior management  
(Continued)

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel.

Name	Accounts in this period					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		0.09		0.03	0.02	0.14
Lianyong Ma		0.08		0.02	0.02	0.12
Subtotal for executive directors		0.17		0.05	0.04	0.26
<b>Supervisors:</b>						
Zhihiwu Xu						
Jun Song		0.09		0.02	0.02	0.13
Hai Bai		0.05		0.01	0.01	0.07
Subtotal for supervisors		0.14		0.03	0.03	0.2
<b>Senior management</b>						
Zipping Ren		0.09		0.02	0.03	0.14
Lifeng Zhang		0.09		0.02	0.02	0.13
Jun Liu		0.09		0.02	0.02	0.13
Jie Liu		0.09		0.02	0.02	0.13
Jingfan Zhang		0.01			0.01	0.02
Subtotal for Senior management		0.37		0.08	0.10	0.55
<b>Total</b>		<b>0.68</b>		<b>0.16</b>	<b>0.17</b>	<b>1.01</b>



**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 period					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		0.10		0.02	0.02	0.14
Lianyong Ma		0.09		0.02	0.02	0.13
Subtotal for executive directors		0.19		0.04	0.04	0.27
<b>Supervisors:</b>						
Mingyi Shan						
Hai Bai		0.05		0.01	0.01	0.07
Subtotal for supervisors		0.05		0.01	0.01	0.07
<b>Senior management</b>						
Lifen Zhang		0.09		0.02	0.02	0.13
Ziping Ren		0.09		0.02	0.02	0.13
Jun Liu		0.09		0.02	0.02	0.13
Subtotal for senior managers		0.27		0.06	0.06	0.39
<b>Total</b>		0.51		0.11	0.11	0.73

Note: None of the directors, supervisors or senior managers agreed to waive the payment agreement in this period.

Top five employees by remuneration involved one directors, one supervisor and three senior managers (last period: two directors and three senior managers), and whose payment 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	454	131
Angang Chaoyang		233
TKAS-SSC	119	77
Angang Construction Group		9
Anshan Jidong Cement Co., Ltd	44	48
Pangang Steel Chengdu Steel Vanadium Co., Ltd	8	8
Angang Engineering Technology Co., Ltd		5
Ansteel Group	4	5
Anshan Iron and Steel Co., Ltd.	24	14
Angang Heavy Machinery Co., Ltd.	29	19
Angang Entity Group	7	
Other Related Parties	1	2
Total	690	551

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**  
(Continued)**(6) Balances of related-party transactions (Continued)**

## (a) Account receivables and prepayments (Continued)

Items	Closing balance	Opening balance
<b>Prepayment</b>		
Angang Trade	<b>2,232</b>	2,035
Angang Engineering Technology Co., Ltd	<b>151</b>	385
Angang Chaoyang	<b>5</b>	87
Angang Auto Transport Co., Ltd	<b>3</b>	
Angang Construction Group	<b>32</b>	23
Angang Heavy Machine Co., Ltd	<b>40</b>	78
Angang Mining Construction Co.		3
Angang Railway Transport Facilities Construction Co.	<b>1</b>	
Anshan Iron and Steel Group Information Industry Co., Ltd.	<b>13</b>	41
Angang Automatism Co	<b>4</b>	6
Angang Mining Co	<b>5</b>	
Angang Real Estate Development Co., Ltd	<b>1</b>	
Total	<b>2,487</b>	2,658

## 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	<b>1,021</b>	3,504
Angang Construction Group	<b>11</b>	35
Angang Entity Group	<b>24</b>	61
Angang Heavy machine Co., Ltd	<b>6</b>	20
ANSC-Dachuan		29
Angang Mining Construction Co.	<b>4</b>	17
Angang Chaoyang	<b>39</b>	59
Angang Automatism Co	<b>3</b>	11
Angang Electric Co., Ltd	<b>4</b>	10
Angang Real Estate Development Co., Ltd	<b>2</b>	4
Falan Packing	<b>5</b>	8
Angang Auto Transport Co., Ltd	<b>8</b>	15
Ansteel Group	<b>1</b>	5
Ansteel Energy Saving Technology Service Co., Ltd	<b>6</b>	
Angang Railway Transport Facilities Construction Co.	<b>5</b>	6
Angang Steel Rope Co., Ltd.	<b>2</b>	3
Angang Engineering Technology Co., Ltd	<b>2</b>	4
Tianjin Iron	<b>23</b>	107
ANSC-TKS	<b>90</b>	81
Other Related Parties		2
Total	<b>1,256</b>	3,981

**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	<b>91</b>	124
Angang Trade	<b>41</b>	53
Angang Mining Co	<b>13</b>	12
Angang Construction Group	<b>10</b>	
Angang Entity Group	<b>17</b>	21
Falan Packing	<b>8</b>	16
Ansteel Group		5
Changchun FAM	<b>4</b>	
TKAS	<b>3</b>	3
Tianjing tiantie	<b>48</b>	
Angang Heavy machine Co., Ltd	<b>3</b>	4
Angang Mining Co	<b>3</b>	1
Angang Auto Transport Co., Ltd	<b>5</b>	
Total	<b>246</b>	239

## 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>Other payables</b>		
Ansteel Group	100	166
Angang Engineering Technology Co., Ltd	240	81
Angang Construction Group	81	29
Angang Trade	9	45
Angang Automatism Co.	25	35
Angang Mine Construction Co.	15	42
Angang Entity Group	10	24
Angang Heavy Machine Co., Ltd	23	
Angang Auto Transport Co., Ltd		11
Angang Electric Co., Ltd	4	
Angang Real Estate Development Co., Ltd		3
Angang Railway Transport Facilities Construction Co.	1	7
Panzhuhua, Panzhuhua Iron and Steel Group Design Institute Co., Ltd.		2
TKAS-SSC	1	
Other Related Parties	10	166
Total	519	445

**12. SHARE-BASED PAYMENT**

As of June 30, 2015, there is no share based payment transaction need to be disclosed.

**13. COMMITMENTS****(1) Significant commitments**

Items	At June 30, 2015	At Dec.31, 2014
Investment contracts entered but not yet performed or performed partially	439	158
Construction and renovation contracts entered but not yet performed or performed partially	7,319	5,007
Total	7,758	5,165

**(2) Contingencies**

As of June 30, 2015, there were no contingencies need to be disclosed.

**14. SUBSEQUENT EVENTS**

The central bank to adjust the central parity pricing mechanism at August 11, 2015, it caused the rapid depreciation of the RMB. US dollar against the RMB exchange rate from 6.1136 (June 30, 2015) to 6.3986 (August 28, 2015 rate), as of the date of this report approved, the group is expected to produce 114 million exchange losses.

**15. OTHER SIGNIFICANT INSTRUCTIONS**

As of June 30, 2015, there was 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	2,922	89		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	345	11	1	100
<b>Total</b>	<b>3,267</b>	<b>100</b>	<b>1</b>	<b>100</b>

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	2,669	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>	<b>1</b>	<b>100</b>



**16. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)****(1) Accounts receivable (Continued)**

(b) Aging analysis of accounts receivable

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,134	96	2,981	95
1 to 2 years	132	4	141	5
2 to 3 years				
Over 3 years	1		1	
<b>Total</b>	<b>3,267</b>	<b>100</b>	<b>3,123</b>	<b>100</b>

(c) Bad debt provision accrued 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.

(d) The condition of accounts receivable of the top five debtors by the balances at the end of the period

The accounts receivable balance of top five debtors was RMB1,638 million, accounting for 50% of the balance at the June 30, 2015 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	12	31		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	21	69		
<b>Total</b>	<b>33</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>		

**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
Other	33	11
Total	33	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	1,622		1,622	1,592		1,592
Investments in joint ventures and associates	2,538		2,538	3,135		3,135
Total	4,160		4,160	4,727		4,727

## 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	177			177		
Angang Hefei	102			102		
Angang Guangzhou	60	30		90		
Shenyang Trading	27			27		
Shanghai Trading	9			9		
Tianjin Trading	9			9		
Chengdu Trading	1			1		
Guangzhou Trading	21			21		
Angang Shenyang	98			98		
Angang Weifang						
Angang Shanghai	19			19		
Angang Tianjin	27			27		
Angang Dalian	200			200		
Ningbo Trading	6			6		
Yantai Trading	6			6		
Anshan Iron and Steel Kobelco	357			357		
Guangzhou Automobile Steel	350			350		
Zhengzhou Steel	123			123		
<b>Total</b>	<b>1,592</b>	<b>30</b>		<b>1,622</b>		

#### (c) Investments for the joint ventures and associates

Note: the same to 6(8).

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

Items	This period	Last period
Prime operating income	<b>28,873</b>	37,608
Other operating income	<b>35</b>	212
<b>Total</b>	<b>28,908</b>	37,820
Prime operating income	<b>25,259</b>	33,710
Other operating income	<b>27</b>	138
<b>Total</b>	<b>25,286</b>	33,848

**(5) Investment income**

Items	This period	Last period
Long-term equity investment income under the equity method	<b>85</b>	
Long-term equity investment income under the cost method	<b>170</b>	320
The investment income during the holding of available-for-sale financial assets	<b>6</b>	
The investment income of disposal of available-for-sale financial assets	<b>51</b>	
<b>Total</b>	<b>227</b>	405

Note: The investment income in the last period and this period were derived from unlisted companies.

## 17. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	<b>26,053</b>	26,624
Less: Current liabilities	<b>35,361</b>	36,751
Net current assets/(liabilities)	<b>(9,308)</b>	(10,127)

## 18. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	<b>90,998</b>	91,291
Less: Current liabilities	<b>35,361</b>	36,751
Total assets less current liabilities	<b>55,637</b>	54,540

**19. SUPPLEMENTARY DOCUMENTS****(1) Non-recurring gains and losses**

Items	This period	Last period
Gains/losses from disposal of non-current assets	<b>(1)</b>	(13)
Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies	<b>50</b>	60
Other operating income/loss	<b>31</b>	(3)
Other Non-recurring gains/losses	<b>80</b>	44
<b>Subtotal</b>	<b>20</b>	(11)
Effect on taxation		
Effect on minority interest (after tax)	<b>60</b>	33
<b>Total</b>	<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	0.32	0.021	0.021
Net profit (exclusive of non-operating profit) attributable to ordinary shares	0.20	0.013	0.013



# Documents Available for Inspection

1. 2015 interim report signed by the Chairman;
2. Financial report signed and affixed with the seal by the legal representative, person in charge of accounting and head of the accounting department of the Company;
3. All documents publicly disclosed by the Company in the China Securities Journal and the Securities Times during the Reporting Period;
4. The Articles of Association of the Company;
5. Interim report of the Company disclosed in the Hong Kong stock market.

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

**Board of Directors of  
Angang Steel Company Limited\***

28 August 2015

\* *For identification purpose only*



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