



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

Stock Code : 0347



# 2015 Annual Report

\* For identification purposes only

# Contents

Corporate Profile	2
Summary of Accounting Figures and Financial Indicators	6
Chairman’s Statement	8
Report of the Directors	15
Report of the Supervisory Committee	26
Management Discussion and Analysis	28
Significant Events	54
Movement in Share Capital and Shareholders’ Profile	74
Information on Directors, Supervisors, Senior Management and Employees	81
Corporate Governance	92
Annual General Meeting	116
Audit Report	117
Five-Year Summary	254
Other Relevant Corporate Information	255
Definitions	256
Documents Available for Inspection	260

# Corporate Profile

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

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

## CORPORATE PROFILE

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

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

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

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

### CORPORATE PROFILE (*CONTINUED*)

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

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

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

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

## Corporate Profile (*Continued*)

### CORPORATE PROFILE (*CONTINUED*)

#### 1. Corporate profile

Stock Exchange Listings	Shenzhen Stock Exchange
Stock Abbreviation	Angang Steel
Stock Code	(A Share) 000898
Stock Exchange Listings	Hong Kong Stock Exchange
Stock Abbreviation	Angang Steel
Stock Code	(H Share) 00347
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
Registered Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC
Postal Code of the Registered Address	114021
Business Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC
Postal Code of Business Address	114021
Website of the Company	<a href="http://www.ansteel.com.cn">http://www.ansteel.com.cn</a>
E-mail of the Company	<a href="mailto:ansteel@ansteel.com.cn">ansteel@ansteel.com.cn</a>

## Corporate Profile (*Continued*)

### CORPORATE PROFILE (*CONTINUED*)

#### 2. Contact persons and contact methods

	Joint Company Secretaries		Securities Affairs Representative
Name	Zhang Jingfan	Kwok Siu Man	Jin Yimin
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	Room A, 36th Floor, Victoria Centre Block 2, 15 Watson Road, Hong Kong	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878	00852-2504 6911	0412-8417273 0412-8416578
Fax	0412-6727772	00852-2598 7500	0412-6727772
E-mail	zhangjf@ansteel.com.cn	seaman.kwok@boardroomlimited.com	ansteel@ansteel.com.cn

#### 3. Information disclosure and places for inspection

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

# Summary of Accounting Figures and Financial Indicators

## 1. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Unit: RMB million

Items	2015	2014	Changes over the preceding year (%)	2013
Operating income	52,759	74,046	-28.75	75,329
Operating profit	-3,873	1,565	-347.48	664
Total profit	-3,763	1,579	-338.32	728
Net profit attributable to shareholders of the Company	-4,593	928	-594.94	770
Net profit attributable to shareholders of the Company after extraordinary items	-4,675	917	-609.81	695
Net cash flow from operating activities	5,137	2,137	140.38	10,563
Basic earnings per share (RMB/share)	-0.635	0.128	-596.09	0.106
Diluted earnings per share (RMB/share)	-0.635	0.128	-596.09	0.106
Returns on net assets on weighted average basis (%)	-10.06	1.96	Decreased by 12.02 percentage points	1.64

Items	At the end of 2015	At the end of 2014	Changes over the preceding year (%)	At the end of 2013
Total assets	88,596	91,291	-2.95	92,865
Total liabilities	44,915	43,095	4.22	45,775
Owner's equity attributable to shareholders of the Company	43,274	47,793	-9.46	47,026
Net assets per share attributable to shareholders of the Company (RMB/share)	5.98	6.61	-9.53	6.50
Assets-liability ratio (%)	50.70	47.21	Increased by 3.49 percentage points	49.29
Total share capital	7,235	7,235	-	7,235

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

### 2. MAJOR FINANCIAL INDICATORS BY QUARTER

*Unit: RMB million*

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating income	14,961	14,031	12,571	11,196
Net profit attributable to shareholders of the Company	19	136	-1,043	-3,705
Net profit attributable to shareholders of the Company after extraordinary items	10	85	-1,062	-3,708
Net cash flow from operating activities	933	758	3,422	24

### 3. ITEMS OF NON-RECURRING GAINS AND LOSSES AND EFFECT ON PROFIT

*Unit: RMB million*

Items of Non-Recurring Gains and Losses	2015	2014	2013
1. Gains/losses from disposal of non-current assets	-17	-81	-9
2. Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies and continuously entitled for standard amount or quantities	128	101	113
3. Net profit or loss generated by merging subsidiaries by business combination under common control from the beginning of the period to the combination date			-2
4. Other operating revenue and expenses except those mentioned above	-1	-6	-2
5. Effect on income tax	-28	-3	-25
<b>Total</b>	<b>82</b>	<b>11</b>	<b>75</b>

*Note:* For the figures of non-recurring gains and losses items, “+” indicates gains or income, “-” indicates losses or expense.



## Chairman's Statement

On behalf of the Board of Angang Steel Company Limited, I am pleased to present the annual report of the Company for the year ended 31 December 2015 and hereby extend my regards to all shareholders.



### **OPERATING RESULTS FOR 2015**

Pursuant to the PRC ASBE, the Group recorded a net profit attributable to shareholders of the Company of RMB-4,593 million and basic losses per share of RMB0.635 for the year ended 31 December 2015 as compared to a net profit attributable to shareholders of the Company of RMB928 million and a basic earnings per share of RMB0.128 for the year ended 31 December 2014.

## Chairman's Statement (*Continued*)

### **DIVIDEND DISTRIBUTION**

Since the Company incurred losses, pursuant to PRC laws and regulations and the Articles of Association of the Company, the Company did not make allocation to surplus reserve for the year of 2015. The Company will not distribute dividend or convert capital surplus into share capital for the year of 2015. This proposal shall be submitted to the 2015 Annual General Meeting for deliberation.

### **BUSINESS REVIEW**

In 2015, China experienced slowdown in economic growth and excess steel capacity, which caused the domestic and overseas steel industry to enter into an “Ice Age” of severe challenges, fierce competition and difficult survival conditions. Confronted with complex and severe market situation, the Company unceasingly devoted itself to lowering cost and enhancing efficiency, proactively made adjustments to products structure, increased the portion of strategic products and exclusive leading products and introduced multiple measures to ensure the safe and low-cost operation of capital, with an aim to help the Company to survive the “severe winter” of the steel industry.

#### **(1) Optimizing the management and control of production to ensure stable operation**

During the Reporting Period, the Group produced 20.79 million tons of iron, representing a decrease of 4.56% as compared with the previous year; 20.51 million tons of steel, representing a decrease of 4.41% as compared with the corresponding period of the previous year; and 18.93 million tons of steel products, representing a decrease of 5.59% as compared with the previous year. Sale of rolled steel amounted to 19.1 million tons, representing a decrease of 4.45% as compared with the previous year. The Group achieved a sales-output ratio of 100.90%.

In 2015, in accordance with the principle of “steady and smooth operations, growth in scale, improvement of indices, and reduction of costs” (抓穩順、保規模、提指標、降成本), the Company strengthened organization of production as well as communication and coordination among various production bases and strived to ensure the stable operation of the Company.

#### **(2) Continued lowering of cost and enhancing efficiency to fully exploit internal potential**

The Company spared no effort to develop key projects and reduce process costs, strengthening research and analysis of the raw materials market, adjusting plans of coal blending and ore blending in a timely manner and choosing the right time of purchase to reduce procurement cost of raw materials. Moreover, the Company exploited iron resources available internally and optimized materials structure of blast furnace to reduce process costs.

## Chairman's Statement (*Continued*)

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

#### **(2) Continued lowering of cost and enhancing efficiency to fully exploit internal potential** *(Continued)*

Intensive and high-efficiency logistics management model was implemented to improve logistics efficiency and reduce logistics costs. Logistics projects along the coast were vigorously implemented; highway, railway and sea transportation programs were optimized and fixed price operation projects of multimodal transports were increased, which not only provided guarantee for production and efficiency, but also met the target of lowering logistics costs. Compared with the corresponding period of the previous year, logistics costs were reduced by 5.5%.

The Company tightened up the management of energy to improve efficiency. In 2015, energy indicators, such as comprehensive energy consumption and fresh water consumption per ton of steel, reached the best levels in history. In addition, recycling and comprehensive utilization and management of secondhand energy were strengthened; all of recycled converter gas, TRT generating capacity and recycled waste heat and surplus energy reached a new historical high.

#### **(3) Vigorously developing the market to achieve marketing innovation from multiple channels**

Marketing services were enhanced to expand market share. To respond to the unfavorable market situation, the Company proactively visited strategic customers to strengthen their strategic cooperation.

Technical marketing, service marketing and commercial marketing were promoted for an in-depth understanding of individual and high-end demands of customers in the industry, during which time, the technical support for marketing and service capability were strengthened continuously.

Marketing management platform construction was promoted and integrated with the Company's ERP production and marketing system, SAP financial cost system, logistics management information system and e-commerce system in order to respond quickly to market changes and changing customer demands. Futures hedging business was actively implemented to improve the Company's ability to resist market risks. Moreover, plans were made for the construction of online sales platform and the layout of points of sale in the northeast area to lay the foundation for further market expansion.

## Chairman's Statement (*Continued*)

### BUSINESS REVIEW (*CONTINUED*)

#### (3) Vigorously developing the market to achieve marketing innovation from multiple channels (*Continued*)

Market development of key projects were strengthened by supplying Q500qE steel plates used for Hutong Railway Yangtze River Bridge, a highway-railway cable-stayed bridge with the maximum span in the world. Steel used for nuclear power was sold overseas for the first time to Karachi nuclear power unit in Pakistan. Steel used for wind power was introduced to Pakistan Dawood wind power project, a “One Belt, One Road” overseas construction project. 20HR-B steel used for nuclear power and newly-developed by the Company was successfully supplied to China General Nuclear Power Corporation. Channel rail manufactured by the Company was successfully used for the first tramcar line in Guangzhou, etc.

With the constant efforts in reinforcing coordination and interaction of domestic and foreign trade, export volume increased. Annual amount of export and settled rolled steel totaled 2.8664 million tons, representing an increase of 14.35% as compared with the corresponding period of the previous year.

#### (4) Accelerating technological R&D to improve quality

The Company staunchly followed the path of pursuing high quality with differentiation, specialty and professionalization, taking meeting demands of the market and customers as the starting point and objective of product structure adjustment and upgrading. Throughout the year, 78 new products were approved, 41 new products were examined and accepted and 470 new product development agreements were entered into.

In 2015, the Company engaged in 343 scientific research tasks, ten national R&D projects were undertaken and ten major projects of Angang Group were developed, realizing profit from scientific research of RMB0.363 billion. Five projects including the “development and application of economical model and high-performance medium plate UFC-TMCP technology” were awarded the Liaoning Province Prize for Progress in Science and Technology; six projects including the “key SFR technology and application of continuous rolling wide flat hot steel” were awarded the Metallurgy Science and Technology Prize; 15 projects including the “Angang Steel new corrosion-resistant steel R&D” were awarded the Anshan Prize for Progress in Science and Technology. Moreover, the first national key laboratory for metallic material of marine equipment and its application was constructed in the Company.

## Chairman's Statement (*Continued*)

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

#### **(5) Strengthening capital supervision and control to improve financial support ability**

Financing channels were consolidated and expanded to ensure capital supply. The Company consolidated the existing financing channels, and insisted on developing the documentary letter of credit payment business and financing business of import and export documentary bill; ensured the extension of the loan term of borrowings due based on the original maturity; revolved issuance of short-term and ultra short-term financing notes. Measures including guaranteed discounting for commercial acceptance bills were put forward in order to broaden the financing channels and safeguard the capital supply.

Liability structure was adjusted at the right time to reduce capital cost, and the Company chose the right time to discount bills to make repayment for bank loans. The Company arranged for re-financing of loans in advance in line with the pattern of the downward adjustments to the benchmark interest rates by the central bank. Further, the balance of periodic funds was utilized to commence the short-term wealth management business, thereby reducing the cost of funds of the Company.

The use of "two funds" was reduced comprehensively to vitalize inventory and release increment. The use of account receivables funds and reserve funds decreased by RMB0.712 billion and RMB2.857 billion, respectively, as compared with the beginning of the year.

#### **(6) Strengthening environmental management and control to promote green development**

The concept of green development was upheld and ecological civilization construction was reinforced. A total of 43 green development projects were implemented (e.g. Xidagou waste water advanced treatment) and with these efforts, national and Liaoning province projects for which the Group was responsible were all completed. Moreover, in 2015, emissions of sulfur dioxide, nitric oxide, ammonia nitrogen and COD pollutants were reduced by 22.1%, 24.5%, 54.7% and 78.5%, respectively. Besides, remarkable effects were achieved by clean production.

### DEVELOPMENT PLAN FOR 2016

#### 1. Landscape and development trend in the industry

Favorable factors: firstly, the gradual implementation of the Guiding Opinions on Deepening the State-owned Enterprises' Reform of the State Council of the People's Republic of China (《中共中央國務院關於深化國有企業改革的指導意見》) will provide strong support to the overcoming of obstacles relating to systems and mechanisms, further enhance dominant position in the market, and release and increase productivity of State-owned enterprises. Secondly, supply-side structural reform proposed by Central Economic Work Conference will facilitate market clearing and provide iron and steel enterprises with favorable conditions to increase concentration and develop businesses with their competitive advantages. Thirdly, relevant policies in relation to solving over-capacity in the iron and steel industry promulgated by the State Council also provide strong support for the iron and steel industry to get through difficulties.

Unfavorable factors: in 2016, the domestic and overseas environments become more complicated in economic development. In terms of the international situation, global economic growth remains sluggish, the price of bulk commodities including oil and minerals goes down while fluctuating and emerging markets face pressure from capital outflows. In terms of the domestic situation, investment growth of fixed assets decelerates and the contradictions between supply and demand in the iron and steel industry remain significant. Under the backdrop of increasing downside pressure of the economy and the slowdown in down-stream demand, it is difficult for the prices of iron and steel to increase significantly. Upon implementation of the Environmental Protection Law, costs of the enterprises' environmental protection generally increase. It will be difficult for financing costs of enterprises to be effectively reduced and the depreciation of RMB will also increase finance costs of the enterprises.

#### 2. Development strategy of the Company

The Company will strengthen quality steel, implement green manufacturing and provide excellent services.

## Chairman's Statement (*Continued*)

### DEVELOPMENT PLAN FOR 2016 (*CONTINUED*)

#### 3. Operation plan for the year of 2016

In 2016, the Company will place emphasis on three key factors: efficiency, quality and customers, taking the initiative to innovate and improve efficiency with the aim of improving the overall competitiveness of the Company. In particular the Company will:

- (1) Strengthen corporate governance and improve development efficiency.
- (2) Strengthen marketing to improve market share of products.
- (3) Strengthen lean management to improve product brand value.
- (4) Improve the operation of economic model to enhance the ability to reduce cost and increase efficiency.
- (5) Strengthen demutualization operation to enhance diversified development.
- (6) Improve risk prevention and control to boost the ability to adapt to new industry trends.
- (7) Enhance the innovation-driven principle to improve market competitiveness.
- (8) Strengthen the development of harmonious enterprise to enhance stable development force.

#### 4. Plans for funding requirements

In 2016, the proposed investments for heat treatment line of medium steel plate with high-strength and thin gauge, major overhaul and revamp on chemical plant five coking, public auxiliary project of cool-rolled, high-strength continuous annealing line and other major projects, plus external investments will be RMB1.35 billion.

The sources of funding for the Group in 2016 mainly include cash inflows from operating activities and bank loans.

*Chairman of the Board: Yao Lin*

Anshan City, the PRC  
30 March 2016

# Report of the Directors

The Board is pleased to present the annual report and the audited financial statements for the year ended 31 December 2015.

## I. PRINCIPAL BUSINESSES

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

### Composition of the principal businesses in 2015

#### Composition of operating income

*Unit: RMB million*

	2015		2014		Year-on-year increase/decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total Operating Income	52,759	100	74,046	100	-28.75
<b>By industry</b>					
Steel rolling and processing industry	52,686	99.86	73,809	99.68	-28.62
Others	73	0.14	237	0.32	-69.20
<b>By products</b>					
Steel products	48,513	91.95	68,718	92.80	-29.40
Others	4,246	8.05	5,328	7.20	-20.31
<b>By geographical locations</b>					
China	45,334	85.93	64,822	87.54	-30.06
Export sales	7,425	14.07	9,224	12.46	-19.50



# Report of the Directors (*Continued*)

## I. PRINCIPAL BUSINESSES (*Continued*)

### Composition of the principal businesses in 2015 (*Continued*)

Industries, products and geographical locations accounting for more than 10% of the operating income or operating profit of the Company

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 rolling and processing industry	52,686	49,396	6.24	-28.62	-24.44	-5.18
<b>By products</b>						
Hot-rolled sheets products	16,258	16,301	-0.26	-36.34	-31.49	-7.10
Cold-rolled sheets products	17,999	16,035	10.91	-27.96	-22.66	-6.11
Medium and thick plates	7,844	7,246	7.62	-24.02	-20.89	-3.66
<b>By geographical locations</b>						
China	45,334	42,195	6.92	-30.06	-26.01	-5.10
Export sales	7,425	7,274	2.03	-19.50	-14.05	-6.22

### Composition of operating costs

Unit: RMB million

Industry Classification	Item	2015 Amount	As a percentage of operating costs (%)	2014 Amount	As a percentage of operating costs (%)	Year-on-year increase/decrease in operating cost (percentage point)
Steel rolling and processing industry	Raw materials and fuel	35,150	71.16	50,063	76.58	-5.42
	Others	14,246	28.84	15,311	23.42	5.42
Total		49,396	100.00	65,374	100.00	-

## Report of the Directors (*Continued*)

### 2. EXPLANATION ON CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND AUDIT METHOD IN COMPARISON WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR

1. There have been no changes in accounting policies of the Group during the Reporting Period.
2. Changes in accounting estimates of the Group during the year are as follows:

In the light of the actual circumstances of the Group in recent years including the increase in investment in fixed assets, the actual useful life of certain fixed assets was re-assessed by the relevant departments. During the 42nd meeting of the sixth session of the Board, it was voted and approved that the depreciable life of fixed assets would be adjusted from 1 November 2015. The details are as follows:

Category of fixed assets	Before change		After change	
	Estimated depreciable life (year)	Annual depreciation rate (%)	Estimated depreciable life (year)	Annual depreciation rate (%)
Conduction equipment	19	5.00	24	3.96
Machinery equipment	19	5.00	24	3.96
Power equipment	12	7.92	17	5.59
Transportation equipment	10	9.50	12	7.92

These changes in accounting estimates have no impact on the business scope of the Group. However, fixed assets depreciation decreased by RMB0.1 billion and shareholders' equity and net profit increased by RMB75 million for the year of 2015.

### 3. EXPLANATION ON CHANGES IN THE SCOPE OF CONSOLIDATED STATEMENTS IN COMPARISON WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR

During the year, the Company established two subsidiaries, namely Angang Steel Changchun Tailor-welded Plate and Changchun Steel Processing, and deregistered one subsidiary, namely Chengdu Trade.

### 4. PLANS OF PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL DURING THE REPORTING PERIOD

Since the Company incurred losses, pursuant to PRC laws and regulations and the Articles of Association of the Company, the Company did not make allocation to surplus reserve for the year of 2015. The Company will not distribute dividend or convert capital surplus into share capital for the year of 2015. This proposal shall be submitted to the 2015 Annual General Meeting for deliberation.

## Report of the Directors (*Continued*)

### 5. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

#### Major subsidiaries and investees accounting for over 10% of the net profit of the Company

*Unit: RMB million*

Name of companies	Type of companies	Principal activities	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
ANSC-TKS	Company with limited liability (sino-foreign cooperative venture)	Production and sale of hot dip galvanized steel products and alloyed steel plate products	USD132 million	2,277	1,848	4,645	477	425
Angang Financial Company	Company with limited liability	Deposit, lending and financing	2,000	24,988	6,246	1,227	747	563

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

Name of subsidiaries	Purpose of acquisition and disposal of subsidiaries during the Reporting Period	Method of acquisition and disposal of subsidiaries during the Reporting Period	Impact on the overall production and results
Angang Steel Changchun Tailor-welded Plate	Acquiring the controlling interests in Angang Steel Changchun Tailor-welded Plate to improve profitability of the Company	Acquisition	Beneficial to the increase in profitability of the Company
Changchun Steel Processing	Acquiring the controlling interests in Changchun Steel Processing to improve profitability of the Company	Acquisition	Beneficial to the increase in profitability of the Company
Chengdu Trade	Integrating sales region of each of the subsidiaries for internal trade	Deregistration	Beneficial to the implementation of the sales strategies of the Company along the coast

## Report of the Directors (*Continued*)

### 6. MAJOR CUSTOMERS AND SUPPLIERS

#### Sales to major customers of the Company

Total sales amount of the top five customers ( <i>RMB million</i> )	7,313
Proportion of total sales amount of the top five customers over total sales amount for the year (%)	14.17

#### Top five customers of the Company

No.	Customer name	Sales amount ( <i>RMB million</i> )	As a percentage of total sales amount in the year (%)
1	Customer A	2,934	5.69
2	Customer B	1,430	2.77
3	Customer C	1,039	2.01
4	Customer D	1,007	1.95
5	Customer E	903	1.75
Total		7,313	14.17

Other explanations on major customers: the top five customers include joint ventures and subsidiaries of the Company.

#### Major suppliers of the Company

Total purchase amount from the top five suppliers ( <i>RMB million</i> )	18,950
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	47.78

## Report of the Directors (*Continued*)

### 6. MAJOR CUSTOMERS AND SUPPLIERS (*Continued*)

#### Top five suppliers of the Company

No.	Supplier name	Purchase amount (RMB million)	As a percentage of total purchase amount in the year (%)
1	Supplier A	7,921	19.97
2	Supplier B	4,738	11.95
3	Supplier C	2,765	6.97
4	Supplier D	1,910	4.82
5	Supplier E	1,616	4.07
Total		18,950	47.78

Other explanations on major suppliers: the top five suppliers include companies under the control of the same parent company.

Save as disclosed in this annual report, none of the Directors, Supervisors and their close associates nor any shareholder (which to the knowledge of the Directors holds 5% or more of the shares of the Company) had any interest in any of the top five suppliers or top five customers of the Company during 2015.

### 7. MAJOR RISKS AND UNCERTAINTIES

The major risks faced by the Group include risks of funds and operations, environmental protection risks and investment risks.

#### (1) Risks of funds and operations

Details of the risks: as impacted by the downturn of the steel and iron industry, the excess production capacity and other factors, the profitability of steel and iron companies is undermined, leading to a lack of sources of internal funds. The central government has imposed restrictions on the granting of credit facilities to segments such as the steel and iron industry, where there is excess production capacity. As a result, the shortage of funds and financing barriers are the problems facing the steel and iron industry as a whole. This has exposed the steel and iron industry to the risks of funds and operations.

### 7. MAJOR RISKS AND UNCERTAINTIES (*Continued*)

#### (1) Risks of funds and operations (*Continued*)

Risk management solutions: strengthening funds and budget control and adhering to the principle of “determining expenditure based on revenue, breaking even and generating income before incurring expenses” in order to strictly implement the cash budget; limiting the appropriation of the treasury, conserve funds, stipulating responsibilities and conducting stringent performance assessments; devoting more efforts to the collection of receivables, limiting the amount of credit sales and exploring as well as establishing an insurance policy for trade receivables as precautionary measures against credit sales risks; cooperating more closely with banks as well as to increase the credit line from banks and expand the financing channels; expediting the R&D process of new products, strategic products as well as leading and exclusive products so as to sharpen the competitive edges of its products, expand market sales, augment profitability and improve repayment capabilities.

#### (2) Environmental protection risks

Details of the risks: with the implementation of the new Environmental Protection Law, the new standards on emissions of pollutants and other relevant laws, the regulation and enforcement of the government have become increasingly demanding and the requirements on the environmental protection by companies have been raised even further, exerting enormous pressure on the steel and iron industry in terms of environmental protection.

Risk management solutions: dedicating vigorous efforts to conduct reform to raise the emission standards, implementing key projects for energy conservation as well as emission cuts and control and facilitating the Blue Sky Project in an orderly manner; in respect of the new projects, strictly implementing the eco-friendly system that requires the design, construction and operation of the pollution control facilities to be simultaneous with those of the principal project, and suspending the commencement of projects pending approval from the environment assessment authority; speeding up the rectification of construction projects in order to complete the environmental protection filing for such projects.

#### (3) Investment risks

Details of the risks: the complex and ever-changing economic environment domestically and abroad has given rise to considerable uncertainties to the implementation of investment decisions of companies.

Solutions: timely grasping and analyzing the relevant changes in industry policies, the macro-economy and the market to maneuver past the legal and political risks, in turn providing a foundation for investment decisions; enhancing the management of project approval and filing to prevent the non-compliance risks of the projects; strengthening the review of annual investment plans, strictly control new projects, augmenting the management of new projects and conducting projects relating to military industry, safety, fire safety and environmental protection; optimizing the regulatory procedures for external investees and stepping up the monitoring over the operations of investees.

## Report of the Directors (*Continued*)

### **8. ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is dedicated to environmental sustainability in its business operations. As a responsible enterprise, we are committed to minimizing our impact on the environment through our meticulous management of energy consumption and waste discharge. The Group has been raising the awareness of its employees in terms of resources conservation and effective utilization of energy to enhance environmental protection. In recent years, the Group has been implementing certain projects and policies and has conducted 43 Blue Sky Projects in total such as the advanced wastewater treatment of Xidagou. The Group has been constantly fostering green development and elevating the utilization rate of energy in order to reduce energy consumption and in turn reduce carbon emissions.

### **9. COMPLIANCE WITH LAWS AND REGULATIONS**

The Board places great emphasis on the policies and practices in relation to the Group's compliance with laws and regulations. We have engaged external legal advisors to ensure the transactions and businesses of the Group are conducted within the applicable legal framework. Relevant employees and business units will be notified of the latest applicable laws, rules and regulations. Laws and regulations that have a material impact on the operations of the Group include the Company Law of the PRC, the Securities Law of the PRC, the Hong Kong Listing Rules and the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange. For the year ended 31 December 2015, the Group has complied with the laws and regulations that have a significant impact on the operations of the Group in all material aspects.

### **10. RELATIONSHIP WITH EMPLOYEES**

The Group believes that employees are an important asset and their contribution and support are valued at all times. The Group adopted flexible remuneration policies in order to increase the employees' proactiveness. The Group adopted allocation methods of performance-based remuneration and floating annual remuneration for senior management, performance-based remuneration and reward for profit increase in newly developed products for scientific research team, sales profit-based remuneration for marketing team and performance-based remuneration for other positions. The Group also values the training and development of employees and provides necessary training for employees from time to time.

### **11. RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS**

The Company believes that maintaining a sound relationship with customers is a crucial factor for the Group's success. The Group has established a stable and long-term relationship with various customers. Meanwhile, the Company believes that a solid and loyal foundation of suppliers is substantial for the Company to provide high-quality raw materials. The Company has successfully established a sound relationship with suppliers which supports the growth of the Company. The Company actively adopts measures to maintain a sound cooperation with its raw material suppliers and enhances the communication between them in order to ensure a stable and adequate supply of raw materials.

## Report of the Directors (*Continued*)

### **12. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS**

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

### **13. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

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

### **14. PRE-EMPTIVE RIGHTS**

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

### **15. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS**

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2015.

### **16. MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2015.

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

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



## Report of the Directors (*Continued*)

### **18. CHAPTER 13 DISCLOSURE**

The Directors confirmed that there was no matter occurring in 2015 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor did the Company sign loan agreements imposing specific performance obligations on the controlling shareholders.

### **19. SUFFICIENT PUBLIC FLOAT**

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

### **20. FIXED ASSETS**

Changes in the fixed assets during the year are set out in note 6(11) to financial statements on pages 186 and 187 of this annual report.

### **21. OPERATING RESULTS**

The results of the Company for the year ended 31 December 2015 and its financial position as at that date are set out in the financial statements included in this annual report.

### **22. SHARE CAPITAL**

Changes in share capital during the year are set out in note 6(30) to the financial statements on page 203 of this annual report.

### **23. RESERVES**

Changes in the reserves during the year are set out in notes 6(31), 6(33) and 6(34) to the financial statements on pages 204, 205 and 206 of this annual report.

### **24. EMPLOYEE RETIREMENT SCHEME**

Details of the employee retirement scheme of the Company are set out in note 6(20) to the financial statements on pages 196 and 197 of this annual report.

## Report of the Directors (*Continued*)

### **25. CONTINUING CONNECTED TRANSACTIONS**

Details of continuing connected transactions of the Company for the year are set out on pages 61 to 73 of this annual report.

### **26. FIVE YEARS SUMMARY**

A summary of the results and balance sheet of the Company for five years are set out on page 254 of this annual report.

### **27. AUDITOR**

Ruihua Certified Public Accountants (Special General Partnership) (瑞華會計師事務所(特殊普通合夥)) was appointed as the Company's auditor in 2015.

The appointment of Ruihua Certified Public Accountants (Special General Partnership) as the Company's auditor for 2016 will be proposed at the 2015 Annual General Meeting to be convened on 8 June 2016.

By order of the Board  
**Yao Lin**  
*Chairman*

30 March 2016

# Report of the Supervisory Committee

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

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

No.	Meetings	Date of the meeting	Matters considered
1	The 11th meeting of the 6th Session of the Supervisory Committee	30 March 2015	<ol style="list-style-type: none"> <li>The 2014 Annual Report and its summary were approved.</li> <li>The Report of the Supervisory Committee for 2014 was approved.</li> <li>The Proposal in relation to the Remunerations of the Supervisors for 2014 was approved.</li> <li>The 2014 Self-assessment Report on Internal Control was approved.</li> </ol>
2	The 12th meeting of the 6th Session of the Supervisory Committee	27 April 2015	<ol style="list-style-type: none"> <li>2015 First Quarterly Report of the Company and its text were approved.</li> </ol>
3	The 13th meeting of the 6th Session of the Supervisory Committee	29 June 2015	<ol style="list-style-type: none"> <li>The resignation of Mr. Xu Zhiwu as the chairman of the Supervisory Committee and a Supervisor of the Company was approved.</li> <li>The nomination of Mr. Lin Daqing as a candidate for shareholders' representative Supervisor of the 6th session of the Supervisory Committee of the Company was approved.</li> </ol>
4	The 14th meeting of the 6th Session of the Supervisory Committee	21 August 2015	<ol style="list-style-type: none"> <li>The election of Mr. Lin Daqing as the chairman of the 6th session of the Supervisory Committee of the Company.</li> </ol>
5	The 15th meeting of the 6th Session of the Supervisory Committee	28 August 2015	<ol style="list-style-type: none"> <li>2015 Interim Report of the Company was approved.</li> </ol>
6	The 16th meeting of the 6th Session of the Supervisory Committee	16 October 2015	<ol style="list-style-type: none"> <li>The Proposal of the Adjustment to Depreciable Life of Certain Fixed Assets was approved.</li> </ol>
7	The 17th meeting of the 6th Session of the Supervisory Committee	30 October 2015	<ol style="list-style-type: none"> <li>2015 Third Quarterly Report of the Company and its text were approved.</li> </ol>

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

- (II) In 2015, the Supervisory Committee of the Company monitored the Company's operations to ensure compliance with the relevant laws and regulations, such as the Company Law, and the Articles of Association of the Company. It also exercised supervision on the connected transactions entered into by the Company. The Supervisory Committee raised no objection to monitoring issues during the Reporting Period.

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

1. The Supervisory Committee is, based on its examination, of the opinion that the procedures by which the Board prepares and considers the 2015 annual report complied with laws, administrative regulations and the requirements of CSRC and the content of the annual report was true, accurate and complete and there was no false representation or misleading statement contained in, or material omission from the annual report.
2. During the year, the Company's operations had complied with laws, the Company had comprehensive internal control system and the decision making procedures of the Company complied with applicable laws, and the Supervisory Committee was not aware of any violation of regulations.
3. None of the Directors and senior management of the Company were found to be in violation of any laws or regulations or the Articles of Association of the Company when performing their duties or otherwise act in a manner which infringed upon the interests of the Company.
4. The Company's financial report truly reflected the Company's financial position and operating results.
5. The acquisitions of assets were carried out by the Company at fair prices and it was not aware of any insider dealing or any damage to part of the shareholders' interests or any loss to the Company's assets.
6. During the year, routine continuing connected transactions and other connected transactions were conducted on a fair basis in the Company's production and operation and it was not aware of any insider dealing or any impairment of interests of the Company.

On behalf of the Supervisory Committee

**Lin Daqing**

*Chairman of the Supervisory Committee*

30 March 2016

# Management Discussion and Analysis

## I. ANALYSIS OF PRINCIPAL BUSINESSES

### 1. Overview

*Unit: RMB million*

Item	Reporting Period	Corresponding period of the previous year	Increase/decrease of the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Operating income	52,759	74,046	-28.75	Operating income decreased as compared with the previous year, mainly due to the decrease in the price of steel products and sales volume.
Operating costs	49,469	65,490	-24.46	Operating costs decreased as compared with the previous year, mainly due to (i) the decrease in the price of raw materials and fuel in the market and the increased efforts for purchase at due time by the Company, resulting in a decrease in purchase costs; and (ii) the unconventional cost reduction measures adopted by the Company against the deteriorating market conditions, continuous downward trend of steel prices, and acutely shrinking resources for efficiency to vigorously minimize the impact from processing costs and expenditure.
Marketing expenses	2,311	2,218	4.19	Marketing expenses increased as compared with the previous year, mainly due to (i) the optimized logistics management of the Company, and the increase in the settlement amounts of CIF settlement implemented to users, resulting in an increase in transportation costs; (ii) the increase in the amount of export, resulting in an increase in export operating expenses and consignment fees.

# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 1. Overview (*Continued*)

Item	Reporting Period	Corresponding period of the previous year	Increase/decrease of the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Administrative expenses	1,808	1,850	-2.27	Administrative expenses during the year decreased as compared with the previous year, mainly due to costs reduced through unconventional measures adopted by the Company and adjustment of budget indicators according to market changes, achieving rigid performance and sharply reducing expenditure.
Financial expenses	1,346	1,272	5.82	Financial expenses increased as compared with the previous year, mainly due to devaluation of the RMB and exchange loss from the Company's U.S. dollar –denominated loans.
Total profit	-3,763	1,579	-338.32	Total profit and net profit attributable to shareholders of the Company decreased as compared with the previous year, mainly due to the decrease in the price in the steel market but the relatively lower decrease in the price of raw materials such as mineral and coal; the profit margin of the Company was devoured by external market factors despite the Company's effort in reducing costs and increasing efficiency internally by extraordinary measures, it was not sufficient to cover the loss of profit due to the steep decline of steel price, resulting in a loss for the Company.
Net profit attributable to shareholders of the Company	-4,593	928	-594.94	

# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 1. Overview (*Continued*)

Item	Reporting Period	Corresponding period of the previous year	Increase/decrease of the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Net cash flow	1,889	586	222.35	Net cash flow increased by RMB1,303 million as compared with the previous year, mainly due to (i) an increase of RMB3,000 million in net cash inflow from operating activities as compared with the previous year due to a decrease of RMB20,248 million in cash outflow for procurement of goods and services for the year and a decrease of RMB17,248 million in cash inflow from sales of goods and provision of services; (ii) a decrease of RMB1,697 million in net cash outflow from investing activities as compared with the previous year arising from the decrease in cash outflow from investing activities as a result of the decrease in cash paid for purchase and construction of fixed assets, construction in progress and investments; (iii) a decrease of RMB3,390 million in net cash flow from financing activities as compared with the previous year due to the increase of RMB8,046 million in cash outflow repaid for borrowings for the year as compared with the previous year, and the increase of RMB5,141 million in cash inflow of borrowings obtained for the year as compared with the previous year; (iv) a decrease of RMB4 million due to the effect of changes in foreign exchange.

# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 2. Income and Cost

#### (1) Composition of operating income

*Unit: RMB million*

	2015		2014		Year-on-year increase/ decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total Operating Income	52,759	100	74,046	100	-28.75
<b>By industry</b>					
Steel rolling and processing industry	52,686	99.86	73,809	99.68	-28.62
Others	73	0.14	237	0.32	-69.20
<b>By products</b>					
Steel products	48,513	91.95	68,718	92.80	-29.40
Others	4,246	8.05	5,328	7.20	-20.31
<b>By geographical locations</b>					
China	45,334	85.93	64,822	87.54	-30.06
Export sales	7,425	14.07	9,224	12.46	-19.50



# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 2. Income and Cost (*Continued*)

- (2) Industries, products and geographical locations accounting for more than 10% of the operating income or operating profit of the Company

*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 rolling and processing industry	52,686	49,396	6.24	-28.62	-24.44	-5.18
<b>By products</b>						
Hot-rolled sheets products	16,258	16,301	-0.26	-36.34	-31.49	-7.10
Cold-rolled sheets products	17,999	16,035	10.91	-27.96	-22.66	-6.11
Medium and thick plates	7,844	7,246	7.62	-24.02	-20.89	-3.66
<b>By geographical locations</b>						
China	45,334	42,195	6.92	-30.06	-26.01	-5.10
Export sales	7,425	7,274	2.03	-19.50	-14.05	-6.22

In case of adjustment in statistical calibers of principal businesses of the Company during the Reporting Period, principal businesses data of the Company in the latest year according to adjusted calibers at the end of the Reporting Period.

Applicable       Not applicable

# Management Discussion and Analysis (Continued)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (Continued)

### 2. Income and Cost (Continued)

- (3) Whether the Company's income from the sale of goods is greater than its income from the provision of services

Yes  No

Industry Classification	Item	2015	2014	Year-on-year increase/decrease (%)
Steel rolling and processing industry	Sales volume (0'000 tons)	1,910.17	1,999.21	-4.45
	Production volume (0'000 tons)	1,892.81	2,004.96	-5.59
	Stock volume (0'000 tons)	103.01	119.04	-13.47

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

Applicable  Not applicable

- (4) Performance of material sales contracts entered into by the Company as of the end of the Reporting Period

Applicable  Not applicable

- (5) Composition of operating costs

Unit: RMB million

Industry Classification	Item	2015		2014		Year-on-year increase/decrease in operating costs (percentage point)
		Amount	As a percentage of the operating cost (%)	Amount	As a percentage of the operating cost (%)	
Steel rolling and processing industry	Raw materials and fuel	35,150	71.16	50,063	76.58	-5.42
	Others	14,246	28.84	15,311	23.42	5.42
	Total	49,396	100.00	65,374	100.00	-

# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 2. Income and Cost (*Continued*)

- (6) Whether the scope of consolidation had changed during the Reporting Period

Applicable       Not applicable

The Company established two subsidiaries, namely Angang Steel Changchun Tailor-welded Plate and Changchun Steel Processing and deregistered one subsidiary, namely Chengdu Trade for the year.

- (7) Material changes or adjustment in businesses, products or services during the Reporting Period

Applicable       Not applicable

## Management Discussion and Analysis (*Continued*)

### I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

#### 3. Expenses

*Unit: RMB million*

Financial indicators	2015	2014	Increase/decrease of the Reporting Period as compared with the corresponding period of the previous Year (%)	Explanations on material changes
Marketing expenses	2,311	2,218	4.19	Marketing expenses increased as compared with the previous year, mainly due to (i) the optimized logistics management of the Company, and the increase in the settlement amounts of CIF settlement implemented to users, resulting in an increase in transportation costs; (ii) the increase in the amount of export, resulting in an increase in export operating expenses and consignment fees.
Administrative expenses	1,808	1,850	-2.27	Administrative expenses during the year decreased as compared with the previous year, mainly due to costs reduced through unconventional measures adopted by the Company and adjustment of budget indicators according to market changes, achieving rigid performance and sharply reducing expenditure.
Financial expenses	1,346	1,272	5.82	Financial expenses increased as compared with the previous year, mainly due to devaluation of the RMB and exchange loss from the Company's U.S. dollar-denominated loans.
Income tax expenses	837	655	27.79	Income tax expenses increased as compared with the previous year, mainly due to the analysis and adjustment of deferred income tax by the Company based on its taxable income.

# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 4. R&D expenditure

Item	2015	2014	Year-on-year increase/decrease (%)
Number of R&D staff ( <i>person</i> )	1,898	1,694	12.04
Percentage of the number of R&D staff in the Company (%)	5.02	4.29	Increased by 0.73 percentage point
Amount of R&D expenditure ( <i>RMB million</i> )	1,331	2,079	-35.98
Percentage of R&D expenditure over operating income (%)	2.52	2.81	Decreased by 0.29 percentage point
Amount of capitalization of R&D expenditure ( <i>RMB million</i> )	0	0	-
Percentage of capitalization of R&D expenditure over the R&D expenditure (%)	-	-	-

Reasons for the significant change in the proportion of total R&D expenditure over operating income as compared with the previous year:

Applicable  Not applicable

Reasons for and reasonableness of the significant change of the capitalization rate of R&D expenditure

Applicable  Not applicable

The number of patents in the recent two years

Applicable  Not applicable

	Application made during the Reporting Period	Obtained during the Reporting Period	Aggregate number obtained as of the end of the Reporting Period
Invention patent	694	353	752
Utility model	627	603	2,024
Exterior design	-	-	-
Change of core technical team or key technical staff during the year	Nil		
Whether categorized as high-tech enterprise by the Ministry of Science and Technology	No		

## Management Discussion and Analysis (*Continued*)

### I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

#### 5. Cash flow

*Unit: RMB million*

Item	2015	2014	Year-on-year increase/decrease (%)
Sub-total of cash inflow from operating activities	47,986	65,234	-26.44
Sub-total of cash outflow from operating activities	42,849	63,097	-32.09
Net cash flow from operating activities	5,137	2,137	140.38
Sub-total of cash inflow from investing activities	1,149	671	71.24
Sub-total of cash outflow from investing activities	3,877	5,096	-23.92
Net cash flow from investing activities	-2,728	-4,425	38.35
Sub-total of cash inflow from financing activities	30,134	25,325	18.99
Sub-total of cash outflow from financing activities	30,650	22,451	36.52
Net cash flow from financing activities	-516	2,874	-117.95
Net increase of cash and cash equivalents	1,889	586	222.35

Explanations of the main factors for significant year-on-year change of the relevant figures:

Applicable       Not applicable

- (1) The decrease of RMB17,248 million in cash inflow from operating activities for the year as compared with the previous year was mainly due to the decrease in cash received from the sale of goods and provision of services following the decrease in both the price and sales of steel products.
- (2) The decrease of RMB20,248 million in cash outflow from operating activities for the year as compared with the previous year was mainly due to (i) the decrease in the production volume of steel, iron and materials, and the decrease in consumption as well as the decrease in volume of procurement arising from the Company's effort for timely procurement, (ii) the decrease in fuel price, resulting in reduction of impact on cash paid for the procurement of goods and services.

# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

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

- (3) The increase of RMB3,000 million in net amount of cash flow from operating activities for the year as compared with the previous year was mainly due to (i) a decrease of RMB20,248 million in the cash outflow for the procurement of goods and services, etc.; (ii) a decrease of RMB17,248 million in the cash inflow from the sale of goods and provision of services, etc.
- (4) The increase of RMB478 million in cash inflow from investing activities for the year as compared with the previous year was mainly due to (i) the increase in cash from selling the stock of Zhuzhou Group and equity interests in Chongqing Automobile Steel and recouping the capital outlay; (ii) the increase in cash from investment income due to cash dividends received from the joint ventures of the Company.
- (5) The decrease of RMB1,219 million in cash outflow from investing activities for the year as compared with the previous year was mainly due to the decrease in cash paid for the purchase and construction of fixed assets, construction in progress and investment.
- (6) The increase of RMB1,697 million in net cash outflow from investing activities for the year as compared with the previous year was mainly due to (i) the increase in cash from return on investment and obtaining income from investment; (ii) the decrease in cash paid for the purchase and construction of fixed assets, construction in progress and investment.
- (7) The increase of RMB4,809 million in cash inflow from financing activities for the year as compared with the previous year was mainly due to the increase in cash from borrowings obtained by the Company.

# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

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

- (8) The increase of RMB8,199 million in cash outflow from financing activities for the year as compared with the previous year was mainly due to the increase in cash paid for repayment of bank borrowings by the Company.
- (9) The increase of RMB3,390 million in net cash flow from financing activities for the year as compared with the previous year was mainly due to the fact that the increase in cash from borrowings obtained by the Company was less than the cash paid for repayment of borrowings.
- (10) The increase of RMB1,303 million in net cash flow for the year as compared with the previous year was mainly due to (i) an increase of RMB3,000 million in net cash inflow from operating activities as compared with the previous year due to a decrease of RMB20,248 million in cash outflow for the procurement of goods and services for the year and a decrease of RMB17,248 million in cash inflows from the sale of goods and provision of services; (ii) a decrease of RMB1,697 million in net cash outflow from investing activities as compared with the previous year arising from the decrease in cash outflow from investing activities as a result of the decrease in cash paid for the purchase and construction of fixed assets, construction in progress and investments; (iii) a decrease of RMB3,390 million in net cash flow from financing activities as compared with the previous year due to the increase of RMB8,046 million in cash outflow from repayment of borrowings as compared with the previous year, and the increase of RMB5,141 million in cash inflow of receivable borrowings as compared with the previous year; and (iv) the decrease of RMB4 million in cash due to the change in the exchange rate.

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

Applicable       Not applicable



# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

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

Net amount of cash flow and net profit from the operating activities of the Group in 2015 is RMB5,137 million and RMB-4,600 million respectively. The main reasons are as follows:

*Unit: RMB million*

<b>Net profit</b>	-4,600
Add: Provision for impairment	60
Depreciation of fixed assets	3,767
Amortization of intangible assets	158
Loss on fixed assets disposal (“-” for gains)	17
Loss on the change of fair value (“-” for gains)	-4
Financial expenses (“-” for gains)	1,345
Investment loss (“-” for gains)	-391
Decrease in deferred tax assets (“-” for increase)	815
Increase in deferred tax liabilities (“-” for decrease)	12
Decrease in inventories (“-” for increase)	1,965
Decrease in operating receivables (“-” for increase)	1,391
Increase in operating payables (“-” for decrease)	618
Others	-16
<b>Net cash flow from operating activities</b>	<b>5,137</b>

### 6. Liquidity and financial resources

As of 31 December 2015, the Group had long-term loans (exclusive of loans due within one year) of RMB962 million with interest rates ranging from 4.2892% to 6.4% per annum. The term of such loans range from 3 to 25 years, and the loans will fall due during the period from 2017 to 2022. The loans are mainly used for replenishing working capital. The Group’s long-term loans due within one year amounted to RMB592 million. The fixed interest rate as stipulated in the loan contract was adopted for all long-term borrowings of the Company. The interest rate was adjusted on annualized basis in accordance with the adjustments to the benchmark interest rate for loans of the same period made by the Central Bank.

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 credit rating of “AAA”. In 2015, 19 financial institutes which had strategic cooperation with the Company had provided facilities to the Company. The Group is capable of repaying its debts when they become due.

# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 6. Liquidity and financial resources (*Continued*)

As at 31 December 2015, cash and bank balances of the Group denominated in foreign currencies was nil (31 December 2014: nil).

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

*Unit: RMB million*

	31 December 2015	31 December 2014
RMB	3,601	1,712
US dollars	–	–
HK dollars	–	–
Others	–	–
Total	3,601	1,712

As of 31 December 2015, the Group had a total capital commitment of RMB1,438 million, which was primarily attributable to the construction and renovation contracts entered into but not yet performed or partially performed, and the external investment contracts entered into but not yet performed or partially performed.

### 7. Pension scheme

In accordance with the requirements of national insurance policies of the PRC, the Company provides all employees with basic pension (which are contributed as to 20% by the employer and as to 8% by the individual employee), pursuant to which the employee is entitled to receive pension payments on a monthly basis after retirement. For each month, the Company makes contribution to the basic pension scheme at 20% of the gross salary recognized as cost (expenses) of the previous month. In 2015, the total contribution to the basic pension scheme amounted to RMB696 million (including the employer's contribution of RMB501 million and the employees' contribution of RMB195 million).

In addition, the Company maintains corporate annuity scheme for all of its employees, the contribution to which is made by the Company at 4% of the gross salary recognized as cost (expenses) of the previous year. The Company also made compensation to the employees for their years of service prior to the establishment of the corporate annuity scheme. In 2015, the total contribution to the corporate annuity scheme amounted to RMB220 million, including the employees' contribution of RMB59 million, the employer's contribution of RMB106 million and contribution as compensation for employees' years of service prior to the establishment of the scheme of RMB55 million.

# Management Discussion and Analysis (*Continued*)

## I. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 8. Foreign exchange risk

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

Foreign currency borrowings held by the Group amounted to USD400 million, of which, the foreign exchange risk was dependent on the foreign exchange rate of RMB over USD. In 2015, due to the changes in exchange rate of RMB over USD, the Company bore a loss of RMB179 million in currency exchange.

## II. ANALYSIS OF ASSETS AND LIABILITY

### 1. Significant changes in composition of assets

*Unit: RMB million*

	End of 2015		End of 2014		Increase/ Decrease (%) (percentage point)	Explanation for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary Capital	3,601	4.06	1,712	1.88	2.18	-
Account receivables	1,123	1.27	1,835	2.01	-0.74	-
Inventories	8,008	9.04	10,865	11.90	-2.86	-
Investment properties	-	-	-	-	-	-
Long-term equity investments	2,673	3.02	3,135	3.43	-0.41	-
Fixed assets	51,014	57.58	46,122	50.52	7.06	-
Construction in progress	2,852	3.22	5,933	6.50	-3.28	-

## Management Discussion and Analysis (*Continued*)

### II. ANALYSIS OF ASSETS AND LIABILITY (*Continued*)

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

Unit: RMB million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Changes in fair value reported in equity	Impairment made for the period	Purchases during the period	Disposals during the period	Closing balance
<b>Financial assets</b>							
Of which:							
1. Financial assets measured at fair value through profit and loss (excluding derivative financial assets)	-	-	-	-	-	-	-
2. Derivative financial assets	-	4	-	-	-	-	4
3. Available-for-sale financial assets	96	-	18	-	-	95	62
Sub-total of financial assets	96	4	18	-	-	95	66
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total</b>	96	4	18	-	-	95	66
<b>Financial liabilities</b>	-	-	-	-	-	-	-

Material changes in measurement of major assets during the Reporting Period

Yes

No

# Management Discussion and Analysis (*Continued*)

## II. ANALYSIS OF ASSETS AND LIABILITY (*Continued*)

### 3. Gearing ratio

As at 31 December 2015 and 31 December 2014, the Group's ratio of equity to liability was 0.97 times and 1.12 times, respectively.

### 4. Pledge of assets

The Group pledged notes receivable with a carrying amount of RMB597 million to Shanghai Pudong Development Bank during the year to apply for the issuance of notes payable of RMB547 million. The term of pledge is from December 2015 to May 2016.

### 5. Contingent liabilities

As of 31 December 2015, the Group had no contingent liabilities.

## III. ANALYSIS ON THE CORE COMPETITIVENESS

### 1. Technical and equipment capacity

Over the years, the Company has continuously carried out technological transformation and as a result, the level of technology and equipment has continuously improved, which made its main equipment modernized and large-scale. Its principal production techniques and technological equipment have reached national advanced level. Bayuquan Iron & Steel Branch Company\* (鮑魚圈鋼鐵分公司) possesses advanced technological equipment and technique, among which the 5,500 mm wide and heavy plate production line is currently one of the largest plate mills of wide and heavy plates in the world. Besides, its roughing rolling unit is capable of completing the full production process of ultra-thin, ultra-wide and ultra-thick products within 60 tons through steel ingot, compound compact and continuous casting.

The Company successfully developed the first cold-rolled sheet measuring system as well as the first strip shape control system for industrial application in the PRC and put them into industrial application. Besides, the Company has registered the technical trademark "AnShaper" for "independent R&D and industrial application of core technology of cold-rolling mill strip shape control system", thus breaking the long-term technological monopoly of strip shape control system of cold-rolled sheet by foreign countries, making China one of the few countries in the world which has grasped the comprehensive strip shape control technology of cold-rolled sheet for industrial application. Moreover, three projects undertaken by the Company including the "corrosion resistant steel plate industrial production technology for cargo tanks" under the national science and technology support plan of the Twelfth Five-year Plan have been accepted by the Ministry of Science and Technology. By virtue of this project, the anti-corrosion nature of steel plates has increased by five times, breaking the technological monopoly by foreign countries and highlighting the unique advantage and competitive strength of the Company in R&D of steel used for vessels and ocean engineering.

## Management Discussion and Analysis (*Continued*)

### III. ANALYSIS ON THE CORE COMPETITIVENESS

#### 2. R&D capacity for products

With a vast variety of products and complete specifications, the Company has become an industry leader with respect to sheets for automobiles, home appliances, containers and other products. Moreover, the Company is capable of manufacturing high-grade surface cold-rolled and galvanized sheets used for covering external parts of automobiles, which are widely used for domestic independent brands and JV brands. Meanwhile, steel for railway as well as steel plates for containers and vessels have continued to be named “China top brand”.

The following products of the Company have been awarded the “Golden Cup Prize” for quality metallurgical products in 2015: steel rail for high-speed rail, carbon steel green rod for cold heading, 8.8 boron containing steel green rod for cold heading, seamless steel tube for large volume gas cylinder (cold-drawing), seamless steel tube for low temperature (hot rolling), pipeline tube (hot-rolling seamless pipe), casing and oil tube (hot-rolling seamless pipe), hot-rolled flat steel for cold forming mold, hot-rolled round steel for cold forming mold, forging round steel for cold forming mold, forging round steel for turbine blade, seamless steel tube for high-pressure boiler (cold processing), hot rolled steel plate and steel belt for vehicle structure, hot rolled band for automotive frame and hot rolled band for automobile wheel.

In 2015, the Company made use of its advantages in independent innovation and accelerated R&D of new exclusive products and strategic products, leading to constant improvement of its independent innovation capability.

##### (1) Steel for automobiles

The following products are developed by the Company and supplied to customers in batches: advanced high-strength steel products represented by duplex steel and transformation induced plasticity steel, traditional high-strength steel products represented by bake hardening steel and low alloy and high-strength steel, high-end surface steel products represented by O5 sheet and drawing steel products represented by St16. Based on this, the Company has developed the new generation of steel for automobiles represented by TWIP steel and QP steel, which are under way to enter the market.

##### (2) Steel for nuclear power and Ni steel

The Company has managed to manufacture nuclear-grade 1 products 15MnNi steel used for nuclear island support exclusively in China; completed on an exclusive basis and passed the assessment of nuclear-grade 1 equipment voltage stabilizer end socket and barrel 16MND5 steel, thereby successfully replacing exports with supplying products in batches. Enormous progress has been achieved in the development of Ni steel and exclusive production in China was achieved for supply of 5Ni steel. Besides, quality control reached 6 $\sigma$  level and laid the foundation for localization of the overall design, construction and export of LEG vessels. 9Ni steel has become the first enterprise in the PRC to integrate production, manufacture, prefabricating and degaussing in its full supply chain.

# Management Discussion and Analysis (*Continued*)

## III. ANALYSIS ON THE CORE COMPETITIVENESS (*Continued*)

### 2. R&D capacity for products (*Continued*)

#### (3) Steel for vessels and oceanographic engineering

The Company is the first in the PRC to have completed the development and authentication of TMCP ultra-thick high-strength steel and super-strength steel for vessels and oceanographic engineering, the production technology of which reached international leading level. Besides, the Company is the first in the PRC to have passed the highest level FQ70 authentication for steel used for oceanographic engineering. Also, the Company is the first supplier to exclusively supply independently designed and manufactured steel for ice breakers for the first time in the PRC.

#### (4) Steel for high speed train

The Company is the first to lay technical conditions suitable for the PRC for purchasing steel used for bogie of high speed train, realizing early-stage trial application of the localization of steel for bogie of high speed train and achieving core technology and products with independent intellectual property. Up until now, we are the only supplier for steel used for bogie of high speed train.

#### (5) Oriented silicon steel

By virtue of upgrading of equipment functions and development of technology, conventional oriented silicon steel products of the Company have been upgraded to a new level and preparative technique of high-silicon oriented silicon steel (Fe-6.5wt.%Si) has been reserved: oriented silicon steel of average magnetic strength has been replaced by oriented silicon steel of high magnetic strength, stable scale production of grade 30 oriented silicon steel of high magnetic strength has been achieved and small-lot production of Grades 27 and 23 steel has been achieved; for the first time, China has realized industrial production of smelting and continuous casting of high-silicon oriented silicon steel (Fe-6.5wt.%Si).

# Management Discussion and Analysis (*Continued*)

## III. ANALYSIS ON THE CORE COMPETITIVENESS (*Continued*)

### 2. R&D capacity for products (*Continued*)

#### (6) Steel for pipelines

The Company has developed X80-grade large deformation resistance pipeline steel and completed kiloton trial-manufacture and supply. The products have passed the examination and review of Xi'an Tubular Goods Research Institute and the appraisal of PetroChina and China Iron and Steel Association, making the Company one of the two organizations in China qualified for supply of the products. Besides, the Company has maintained a leading position in R&D of pipeline steel in China.

#### (7) Steel rail for railway

Online heat-treated rails of 100m 60Kg/m U75V and 75m 75Kg/m U77MnCr manufactured by the Company have passed the technical evaluation of experts organized by China Railway with the successful trial laying of nearly 10,000 ton full-length quenched rails completed in October 2015. Online heat-treated technology for full-length quenched rail is characterized by mature technique and stable quality, and has achieved international advanced level.

### 3. Patented technology

In 2015, the Company applied for 694 invention patents in total. The number of applications for invention patents is increasing progressively with higher technical content achieved. Product optimization and development as well as R&D for field of technology continue, making the Company equipped with strong core competitiveness for proprietary technology.



# Management Discussion and Analysis (*Continued*)

## IV. ANALYSIS OF INVESTMENTS OF THE COMPANY

### 1. Overall information

#### External Investments

Investments during the Reporting Period <i>(RMB million)</i>	Investments in the corresponding period of the previous year <i>(RMB million)</i>	Change <i>(%)</i>
229	1,681	-86.38

### 2. Significant equity investments made during the Reporting Period

*Unit: RMB million*

Name of target of investment	Principal business	Method of investment	Amount of investment	Proportion of shareholding <i>(%)</i>	Source of funds	Party to cooperation	Term of investment	Type of product	Progress as of the balance sheet date	Estimated revenue	Gain/ loss from investment during the period	Whether litigation is involved
Angang Steel Changchun Tailor- welded Plate	Steel rolling and processing industry	Acquisition	116	100	Self-owned funds	-	Long term	Development and production of laser tailor-welded plate and its after-sale services	Completed	-	14	No

### 3. Significant non-equity investments being conducted during the Reporting Period

Applicable       Not applicable

# Management Discussion and Analysis (Continued)

## IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (Continued)

### 4. Financial asset investments

#### (1) Securities investments

Stock type	Stock code	Abbreviation	Initial investment	Accounting measurements	Book value	Gains or losses	Gains or losses	Purchase amount for the current period	Disposal amount for the current period	Loss or gain during the period	Book value	Accounting item	Source of funds
					at the beginning of the period	on fair value change for the current period	arising from changes in fair value reported in equity				at the end of the period		
			(RMB million)		(RMB million shares)		(RMB million)		(RMB million)	(RMB million)	(RMB million)		
Shares	600961	Zhuzhou Group (株冶集團)	81	Measured at fair value	96	-	18	-	95	51	62	Available for sale financial assets	Self-owned funds

#### (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		Investments at the beginning of the period	Purchase amount during the Reporting Period	Disposal amount during the Reporting 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	
				amount of derivatives investment	Date of commencement								Date of termination
Angang Steel	None	No	Futures investment	1	29 April 2015	31 December 2015	0	695	626	0	26	0.06%	-8
Total				1	-	-	0	695	626	0	26	0.06%	-8

# Management Discussion and Analysis (*Continued*)

## IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (*Continued*)

### 4. Financial asset investments (*Continued*)

#### (2) Derivatives investments (*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.)	<ol style="list-style-type: none"><li>(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.</li><li>(2) As the category of position held has a sufficient liquidity, there is no liquidity risk.</li><li>(3) The Futures Exchange provides credit guarantee for the category of position held, thus the credit risk is minimal.</li><li>(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.</li><li>(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.</li></ol>

# Management Discussion and Analysis (*Continued*)

## IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (*Continued*)

### 4. Financial asset investments (*Continued*)

#### (2) Derivatives investments (*Continued*)

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

With reference to dominant contracts of iron ore and coking coal and deformed bar and hot-rolled coil dominant settlement prices quoted on the Dalian Commodity Exchange and the Shanghai Futures Exchange, dominant contract settlement prices of coking coal, iron ore, deformed bar and hot-rolled coil dominant contracts on 29 April 2015 were RMB670/tonne, RMB422.5/tonne RMB2373/tonne and RMB2487/tonne, respectively; settlement prices on 31 December 2015 were RMB562/tonne, RMB324.5/tonne RMB1789/tonne and RMB1949/tonne, respectively, representing a decrease of RMB108/tonne, RMB98/tonne RMB584/tonne and RMB538/tonne, respectively, as compared with that at the beginning of the period.

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 the last reporting period

N/A

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

(1) The Company utilized self-owned capital for the development of futures hedging business under its assurance of its 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 business operation procedures, 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, favourable to the Company's reasonable control over trading risks.

# Management Discussion and Analysis (*Continued*)

## IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (*Continued*)

### 5. Use of proceeds

Applicable  Not applicable

## V. DISPOSAL OF SIGNIFICANT ASSETS AND EQUITY INTERESTS

### 1. Disposal of significant assets

Applicable  Not applicable

### 2. Disposal of significant equity interests

Counterparty	Equity interests Disposed of	Date of disposal	Transaction Price (RMB'0,000)	The net profits contributed by the equity interests to the Company from the beginning of the Reporting Period to the date of disposal (RMB'0,000)	Impact of the disposal on the Company	Percentage of the net profit generated by the disposal of the equity interests in the total net profit of the Company	Pricing principle for the disposal of the equity interest	Whether it is a connected transaction	Connected relationship with the counterparty (applicable to the connected transactions)	Whether the equity interests have been transferred in full	Carried out as scheduled or not
Xichang Steel & Vanadium	Transfer of 50% equity interest of Chongqing Automobile Steel held by the Company to Xichang Steel & Vanadium	31 May 2015	5,156	156	An increase in the Company's profit amounting to RMB1.56 million. There was no material impact on the Company's overall operating results and financial conditions.	0.03%	Price determined in accordance with the appraised value	Yes	Controlled indirectly by the controlling shareholder of the Company	Yes	Yes

## Management Discussion and Analysis (*Continued*)

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

Major subsidiaries and companies with a participating interest accounting for over 10% of the net profit of the Company

*Unit: RMB million*

Name	Type	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
ANSC-TKS	Limited liability Company (Sino-foreign cooperative venture)	Production and sales of hot dip galvanised steel products and alloyed steel plate	US\$132 million	2,277	1,848	4,645	477	425
Angang Financial Company	Limited liability Company	Deposit, lending and financing	2,000	24,988	6,246	1,227	747	563

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable       Not applicable

Name of subsidiary	Purpose of acquisition and disposal of subsidiaries during the Reporting Period	Method of acquisition and disposal of subsidiaries during the Reporting Period	Impact on the overall production and results
Angang Steel Changchun Tailor-welded Plate	Acquiring the controlling interests in Angang Steel Changchun Tailor-welded Plate to improve profitability of the Company	Acquisition	Beneficial to the increase in profitability of the Company
Changchun Steel Processing	Acquiring the controlling interests in Changchun Steel Processing to improve profitability of the Company	Acquisition	Beneficial to the increase in profitability of the Company
Chengdu Trade	Integrating sales region of each of the subsidiaries for internal trade	Deregistration	Beneficial to the implementation of the sales strategies of the Company along the coast

# Significant Events

## I. PROFIT DISTRIBUTION IN ORDINARY SHARES AND TRANSFER OF RESERVE TO SHARE CAPITAL OF THE COMPANY

### ➤ Formulation, implementation and adjustment of profit distribution policy for ordinary shares, especially cash dividend policy, during the Reporting Period:

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

#### Special Explanation of the Policy of Distribution of Cash Dividend

Whether it complies with the provisions of the Articles of Association or requirements of resolutions in shareholders' general meetings	Yes
Whether the standards and ratio of dividends are clear and definite	Yes
Whether the relevant decision-making procedures and mechanisms are complete	Yes
Whether the independent directors have tried their best to perform their duties and duly fulfilled their roles	Yes
Whether the minority shareholders have sufficient opportunity to express their views and appeal, whether their legitimate rights and interests are fully protected	Yes
Whether the conditions and procedures of the adjustments or changes of cash dividend policy are in compliance with regulations and transparent	N/A

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

#### 1. The profit distribution proposal of the Company for 2015

As the Company recorded a loss, pursuant to the PRC laws and regulations and the Articles of Association of the Company, the Company did not make allocation to surplus reserve for the year of 2015. The Company did not make any profit distribution or transfer of reserve to share capital for year 2015. This proposal shall be subject to consideration at the forthcoming 2015 Annual General Meeting.

## Significant Events (*Continued*)

### I. PROFIT DISTRIBUTION IN ORDINARY SHARES AND TRANSFER OF RESERVE TO SHARE CAPITAL OF THE COMPANY (*CONTINUED*)

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

2. The profit distribution proposal of the Company for 2014

On the basis of the total share capital consisting of 7,234,807,847 shares, the Company distributed cash dividend of RMB0.045 per share (including tax) to shareholders for the year of 2014, which amounted to RMB326 million of the distributable profits.

3. The profit distribution proposal of the Company for 2013

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

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

*Unit: RMB million*

Year	Amounts of cash dividends (including tax)	Net profit attributable to the shareholders of the Company in the consolidated financial statement during the year	Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statement (%)
2015	0	-4,593	0
2014	326	928	35.13
2013	195	770	25.32

### II. PROPOSALS OF PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL DURING THE REPORTING PERIOD

As the Company recorded a loss, pursuant to the PRC laws and regulations and the Articles of Association of the Company, the Company did not make allocation to surplus reserve for the year of 2015. The Company did not make any profit distribution or transfer of reserve to share capital for year 2015. This proposal shall be subject to consideration at the forthcoming 2015 Annual General Meeting.



## Significant Events (*Continued*)

### III. PERFORMANCE OF UNDERTAKING

The undertakings performed by the Company, shareholders, actual controllers, offerors, Directors, Supervisors, senior management or other related parties during the Reporting Period as well as the undertakings that they have not yet performed as at the end of the Reporting Period.

	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Industry competition commitments	<p>The Non-competition Undertaking Letter of Anshan Iron &amp; Steel Group Complex 《鞍山鋼鐵集團公司避免同業競爭承諾函》：</p> <p>(1) Angang Holding and its wholly-owned and holding subsidiaries have complied with relevant requirements of the state on the non-competition.</p> <p>(2) Angang Holding and its wholly-owned and holding subsidiaries have never engaged in any business which directly or indirectly competes with the iron and steel business, the principal business of the Company.</p> <p>(3) Angang Holding undertakes that the Company is entitled to the pre-emptive 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.</p> <p>(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 pre-emptive rights for such capital contribution, shares or equity interests.</p>	5 May 2007	Indefinite	There was no breach of such undertaking

## Significant Events (*Continued*)

### III. PERFORMANCE OF UNDERTAKING (*CONTINUED*)

Undertaking Party	Type of Undertaking	Contents of Undertaking	Time of Undertaking	Period of Undertakings	Performance of Undertakings
		<p>(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.</p> <p>(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.</p> <p>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.</p> <p>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.</p> <p>(7) Other effective measures to avoid and eliminate horizontal competition.</p> <p>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 necessary for the operation of the Company.</p>			

## Significant Events (*Continued*)

### III. PERFORMANCE OF UNDERTAKING (*CONTINUED*)

Undertaking Party	Type of Undertaking	Contents of Undertaking	Time of Undertaking	Period of Undertakings	Performance of Undertakings	
		(7) ( <i>Continued</i> )				
		<p>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 business not prohibited by the state.</p> <p>Such undertakings became effective from the date of issuance, and shall be terminated once one of following conditions occurs:</p> <ol style="list-style-type: none"> <li>(1) Angang Holding ceases to be the controlling shareholder of the Company;</li> <li>(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);</li> <li>(3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.</li> </ol> <p>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.</p>				
Other commitments made to minority shareholders	Anshan Iron and Steel Group Corporation	Commitments of concerted actions of shareholders	The Anshan Iron and Steel Group Corporation and persons acting in concert do not reduce their shareholding in the Company for six months from the date of commitment.	15 July 2015	6 months	There was no breach of such undertaking
Whether the commitments are fulfilled on time	Yes					

## Significant Events (*Continued*)

### IV. MISAPPROPRIATION OF FUNDS BY CONTROLLING SHAREHOLDERS AND CONNECTED PERSONS

Applicable       Not applicable

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

1. There have been no change in accounting policies of the Group during the Reporting Period.
2. Changes in accounting estimates of the Group during the year are as follows:

In the light of the actual circumstances of the Group in recent years including the increase in investment in fixed assets, the actual useful life of certain fixed assets was re-assessed by the relevant departments. During the 42nd meeting of the Sixth Session of the Board, it was voted and approved that the depreciable life of fixed assets would be adjusted from 1 November 2015. The details are as follows:

Category of Fixed Assets	Before change		After change	
	Estimated depreciable life (year)	Annual depreciation rate (%)	Estimated depreciable life (year)	Annual depreciation rate (%)
Conduction equipment	19	5.00	24	3.96
Machinery equipment	19	5.00	24	3.96
Power equipment	12	7.92	17	5.59
Transportation equipment	10	9.50	12	7.92

These changes in accounting estimates have no impact on the business scope of the Group. However, fixed assets depreciation decreased by RMB0.1 billion and shareholders' equity and net profit increased by RMB75 million for the year of 2015.

## Significant Events (*Continued*)

### VI. EXPLANATION OF CHANGES OF SCOPE IN CONSOLIDATED STATEMENTS AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR

During the year, the Company established two subsidiaries, namely Angang Steel Changchun Tailor-welded Plate and Changchun Steel Processing, and deregistered one subsidiary, namely Chengdu Trade.

### VII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

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

Name of the PRC accounting firm	Ruihua Certified Public Accountants (Special General Partnership)
Remuneration of the PRC accounting firm ( <i>RMB0'000</i> )	372
Continued term of service of the PRC accounting firm	3 years
Name of certified public accountants of the PRC accounting firm	Cao Bin and Deng Li

#### 2. Whether appointed another accounting firm during the period

Yes  No

#### 3. Particulars on recruitment of accounting firms, financial consultants or sponsors for internal control

Applicable  Not applicable

The Company engaged Ruihua Certified Public Accountants (Special General Partnership) as the internal control and auditing firm of the Company for 2015 and the remuneration was RMB0.88 million.

### VIII. THE COMPANY HAS NO MATERIAL LITIGATION AND ARBITRATION DURING THE REPORT PERIOD.

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

Applicable  Not applicable

### X. PENALTY AND RECTIFICATIONS

Applicable  Not applicable

## Significant Events (*Continued*)

### XI. 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: Cash payment

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)
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)	RMB440/ tonne	3,484	42.27	-
	Pellet	Market price	RMB637/ tonne	3,079	98.77	-
	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.	RMB493/ tonne	1,490	100.00	-

## Significant Events (Continued)

### XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

##### A. Related Party: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)
	Karara magnetite	<p>Per unit price = reference price + port freight differential cost.</p> <p>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).</p> <p>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).</p>	RMB422/ tonne	584	100.00	-
	Scrap steel		-	248	48.19	-
	Billets		-	173	97.73	-
	Alloy and nonferrous metal	Market price	-	80	3.19	-
	Sub-total	-	-	9,138	54.95	22,212

## Significant Events (*Continued*)

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

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

##### A. Related Party: Angang Group (*Continued*)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)
Procurement of energy and power from the related party	Electricity	State price	RMB0.44/ kwh	1,615	36.66	-
	Water	State price	RMB2.10/ tonne	42	36.17	-
	Steam	Cost of production plus gross profit margin of 5%	RMB16/GJ	2	100.00	-
	Sub-total	-	-	1,659	36.67	2,516
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	RMB60.41/ tonne	184	75.81	-
	Lime powder		RMB406.97/ tonne	653	91.01	-
	Refractory materials		-	473	41.01	-
	Other ancillary materials		-	241	12.10	-
	Spare parts		-	775	19.31	-
	Sub-total		-	-	2,326	28.66



## Significant Events (Continued)

### XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

##### A. Related Party: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)
Purchase of support services from the related party	Railway transportation service	State price	-	494	54.01	-
	Road transportation service	Market price	-	614	86.40	-
	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)	-	93	100.00	-
	Repair and maintenance of equipment and service	Market price	-	437	46.18	-
	Design and engineering services		-	1,574	77.29	-
	Educational facilities, education for occupational skills, on – the – job training and translation		-	3	37.46	-
	Newspaper and other publications	State price	-	2	28.90	-
	Telecommunication business and services and information system	State price or depreciation plus maintenance costs	-	27	63.35	-
	Production assistance and maintenance	Expenses of labour, materials and management as paid based on market prices	-	978	71.44	-
	Welfare assistance and maintenance		-	242	89.63	-

## Significant Events (*Continued*)

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

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

##### A. Related Party: Angang Group (*Continued*)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)
	Company vehicle services	Market price	-	1	93.70	-
	Environmental protection and security inspection services	State price	-	6	66.10	-
	Business reception and meeting expenses	Market price	-	2	53.09	-
	Supply of heating fee	Market price	-	3	5.27	-
	Greening services	Expenses of labour, materials and management as paid based on market prices	-	34	99.82	-
	Security service		-	0.1	1.80	-
	Sub-total	-	-	4,510	69.29	7,179
Buyout of steel products from related party	Steel Products	Determined based on the price sold to third parties deducting a commission of RMB20-35/tonne.	RMB2,928/ tonne	51	100	3,600

## Significant Events (Continued)

### XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

##### A. Related Party: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)
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	RMB2,327/ tonne	1,384	2.84	-
	Molten iron		RMB1,443/ tonne	60	100.00	-
	Billets		RMB1,897/ tonne	37	16.94	-
	Coke		-	15	100.00	-
	Chemical by-products		-	82	5.71	-
	Sub-total		-	-	1,578	3.12
Sale of scrap steel and abandoned material to the related party	Scrap steel	Market price	-	167	99.01	-
	Abandoned material		-	18	69.72	-
	Obsolete assets or idle assets	Market price or appraised price	-	2	43.82	-
	Sub-total	-	-	187	93.85	205

## Significant Events (*Continued*)

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

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

##### A. Related Party: Angang Group (*Continued*)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)
Sale of comprehensive services to the related party	Fresh water	State price	RMB3.13/tonne	47	98.13	-
	Clean recycled water	Production cost plus a gross profit margin of 5%	RMB0.73/ tonne	19	100.00	-
	Soft water		RMB4.90/ tonne	0	100.00	-
	Gas		RMB48.29/GJ	568	89.37	-
	Blast furnace gas		RMB4.00/GJ	57	99.99	-
	Steam		RMB47.51/GJ	25	93.30	-
	Nitrogen		RMB219.67/ km <sup>3</sup>	2	27.83	-
	Oxygen		RMB392.29/km <sup>3</sup>	4	33.49	-
	Argon		RMB588.89/km <sup>3</sup>	1	19.71	-
	Compressed air		RMB106.10/km <sup>3</sup>	1	100.00	-
	Hydrogen		RMB2045.00/km <sup>3</sup>	0.01	100.00	-
	Used hot water		RMB18.12/GJ	46	91.82	-

## Significant Events (Continued)

### XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

##### A. Related Party: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)
	Product testing service	Market price	-	5	89.79	-
	Transportation service		-	10	93.39	-
	Lease of production line		-	3	96.13	-
	Sub-total	-	-	788	49.57	823
	Total		-	20,237	-	-
Relevant explanation on connected transactions	As production in the iron and steel industry is on a continuous basis, Angang Holding has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its 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 Holding which is a client of the Company.					

## Significant Events (*Continued*)

### XI. 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: Cash payment

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)
Financial services provided to the Company by the related party	Interest on deposits	State price	-	11	34.14	30
	Maximum daily balance of deposit (including accrued interests)	-	-	1,324	-	1,520
	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	-	66	4.29	300
Relevant explanation on connected transactions	<p>The Company utilized the free settlement platform provided by Angang Financial Company and deposited a part of saving for the use of daily settlement in order to improve the operational efficiency of capital settlement of the Company. Meanwhile, the Company can also acquire a financing channel from Angang Financial Company to provide a safe protection for the capital of the Company.</p> <p>The Company carried out strict budget control for the capital settlement in Angang Financial Company and, through online financial service system (i.e. N9 System) implemented monthly budget control, weekly expenditure plan, and daily implementation break down in accordance with the capital expenditure item. Each capital expenditure shall have a corresponding budget limit and weekly expenditure plan to ensure the security of the use of the Company's capital settlement.</p> <p>According to the Financial Service Agreement entered into between the Company and Angang Financial Company, the Company set up an alert system for the maximum daily deposit in the N9 System. When the deposit balance reaches 80% of the limit, the N9 System will alert the Company. The department in charge will adjust the deposit amount in a timely manner in accordance with the collection and payment plan of the period.</p>					

## Significant Events (Continued)

### XI. 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: Cash payment

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)
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).	RMB439/tonne	1,427	17.31	-
	Alloy	Market price	-	62	2.47	-
	Total	-	1,489	13.85	3,002	3,002
Relevant explanation on 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*)

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

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

##### C. Related Party: Pangang Vanadium & Titanium Group (*Continued*)

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

- (1) the continuing connected transactions of the Company in 2015 were carried out in the ordinary and usual course of business of the Company; (2) the continuing connected transactions of the Company in 2015 were conducted (A) in accordance with the normal commercial terms (with reference to transactions of a similar nature made by similar entities in the PRC); (B) on terms no less favourable than the terms available to or offered by the third parties (if no comparable case is available); and (C) on terms which are fair and reasonable to shareholders of the Company (if no reference is available); (3) the continuing connected transactions of the Company in 2015 were conducted in accordance with the terms set out in the Supply of Materials and Services Agreement (2014–2015) and the Supply of Materials Agreement (2014–2015) approved at the annual general meeting of the Company in 2012, the Financial Service Agreement (2015) approved at the twenty-seventh meeting of the Sixth Session of the Board, the Buyout of Steel Products for Resale Agreement (《買斷銷售鋼材服務協議》) approved at the first extraordinary general meeting of the Company in 2014, the Karara Minerals Routine Sales and Service Agreement (2014–2015) and the Pellet Sales Agreement approved at the second extraordinary general meeting in 2014 (the “Continuing Connected Transaction Agreements”), which are fair and reasonable and in the interest of the Company and shareholders as a whole; (4) the total amount of continuing connected transactions of the Company in 2015 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements.

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

- (1) Nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company.
- (2) For the transactions involving provision of the Group’s goods and service, nothing has come to their attention that causes them to believe that the connected transactions were not carried out in accordance with the pricing policies of the Group in all material aspects.



## Significant Events (*Continued*)

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

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

##### C. Related Party: Pangang Vanadium & Titanium Group (*Continued*)

- (3) Nothing has come to their attention that causes them to believe that the connected transactions were not carried out in accordance with the relevant agreements governing the transactions in all material aspects.
- (4) Nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the cap.

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

Party	Relationship	Type	Content	Pricing Principle	Book	Appraised	Fair	Transfer	Settlement	Loss or Profit	Date of disclosure	Disclosure index
					value of transferred Assets (RMB0'000)	value of transferred assets (RMB0'000)	market value (RMB0'000)					
Angang Holding	Indirectly controlled by the same controlling shareholder of the Company	Disposal	Transferred of 50% equity interest of the Company in Chongqing Automobile Steel to Xichang Steel & Vanadium	Based on the appraised value	5,000	5,156	5,156	5,156	Settled by cash	156	28 April 2015	China Securities Journal, the Securities Times, CNINF www.cninfo.com.cn and <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> (27 April 2015)
Reasons for the substantial difference between the transfer price and the book value or the appraised value (if any)				Nil								
Impact on the operating result and the financial condition of the Company				There was an increase of RMB1.56 million in the Company's profit which does not have a material impact on the Company's overall operating results and financial condition.								

## Significant Events (*Continued*)

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

#### **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 31 December 2015, the bank borrowings of RMB61 million were guaranteed by Angang Holding whereas the bank borrowings of RMB3,423 million were guaranteed by Angang Group.

### **XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION**

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

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

#### **2. Material guarantee**

During the Reporting Period, there was no material guarantee provided by the Company, nor was there any material guarantee subsisting during the Reporting Period.

#### **3. During the Reporting Period, the Company did not entrust financial management or entrust loan externally.**

### **XIII. SOCIAL RESPONSIBILITIES**

The Company has actively fulfilled social responsibilities and has publicly disclosed the 2015 social responsibility report, the full text of which is set forth on CNINF <http://www.cninfo.com.cn> and as an overseas regulatory announcement on the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk>.

# Movement in Share Capital and Shareholders' Profile

## I. MOVEMENT IN SHARE CAPITAL

### 1. Movement in Share Capital

Unit: Share

	Before the change		Increase/decrease during the period (+/-)					After the change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Accumulated fund	Others	Sub-total	Number	Percentage (%)
<b>I. Shares subject to trading moratorium</b>	73,900	0.00	-	-	-	-18,563	-18,563	55,337	0.00
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares	-	-	-	-	-	-	-	-	-
Including: shares held by domestic									
legal persons	-	-	-	-	-	-	-	-	-
shares held by domestic									
natural persons	-	-	-	-	-	-	-	-	-
4. Foreign shares	-	-	-	-	-	-	-	-	-
Including: shares held by overseas									
legal persons	-	-	-	-	-	-	-	-	-
shares held by overseas									
natural persons	-	-	-	-	-	-	-	-	-
5. Senior management shares	73,900	0.00	-	-	-	-18,563	-18,563	55,337	0.00
<b>II. Shares not subject to trading moratorium</b>	7,234,733,947	100.00	-	-	-	18,563	18,563	7,234,752,510	100.00
1. Renminbi ordinary shares	6,148,933,947	84.99	-	-	-	18,563	18,563	6,148,952,510	84.99
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	1,085,800,000	15.01	-	-	-	-	-	1,085,800,000	15.01
4. Others	-	-	-	-	-	-	-	-	-
<b>Total shares</b>	<b>7,234,807,847</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>7,234,807,847</b>	<b>100.00</b>

Reasons for movement in shares:

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

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

### I. MOVEMENT IN SHARE CAPITAL

#### 2. Changes in shares subject to trading moratorium

Name of Shareholder	Shares subject to trading moratorium at the beginning of the year	Increase in shares subject to trading moratorium during the period	Decrease in shares subject to trading moratorium	Shares subject to trading moratorium at the end of the period	Reason for the trading moratorium	Date of release of the trading moratorium
Zhang Xiaogang	7,500	1,800	9,300	0	The trading moratorium of all shares was lifted 6 months upon the resignation	30 September 2015
Tang Fuping	7,500	2,500	10,000	0	The trading moratorium of all shares was lifted 6 months upon the resignation	30 September 2015
Yang Hua	7,500	2,500	10,000	0	The trading moratorium of all shares was lifted 6 months upon the resignation	3 December 2015
Shan Mingyi	10,000	0	10,000	0	The trading moratorium of all shares was lifted 6 months upon the resignation	14 April 2015
Yao Lin	0	7,500	0	7,500	75% shares are subject to the trading moratorium upon being elected as a director	-
Ren Ziping	18,000	6,000	0	24,000	All shares are subject to the trading moratorium within 6 months upon resignation	22 April 2016
Ma Lianyong	7,500	2,500	0	10,000	All shares are subject to the trading moratorium within 6 months upon resignation	24 May 2016
Zhang Lifan	8,250	0	2,063	6,187	-	1 January 2015
Total	66,250	22,800	41,363	47,687	-	-

### II. ISSUANCE AND LISTING OF SECURITIES

Issuance of securities during the Reporting Period

Applicable  Not applicable

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

## III. SHAREHOLDERS AND DE FACTO CONTROLLER

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

*Unit: Share*

The total number of ordinary shareholders of the Company as at the end of the Reporting Period  
As of 29 February 2016

119,471,  
of which 566  
were holders of H shares  
118,766

#### Details of shareholders with more than 5% of shares

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of shares as at the end of the Reporting Period	Increase/ decrease during the Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Number of shares pledged or frozen	Status of shares	Amount
Angang Holding	State-owned legal person	67.29	4,868,547,330	0	-	4,868,547,330	-	-	-
HKSCC (Nominees) Limited	Overseas legal person	14.84	1,073,947,481	-42,524	-	1,073,947,481	-	-	-
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	Domestic general legal person	2.99	216,322,910	+216,322,910	-	216,322,910	-	-	-
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	Domestic general legal person	1.00	72,575,900	+72,575,900	-	72,575,900	-	-	-
ICBC Credit Fund – Agricultural Bank of China – ICBC Credit Suisse China Securities Financial Asset Management Plan (工銀瑞信基金 – 農業銀行 – 工銀瑞信中證金融資產管理計劃)	Others	0.23	16,652,700	+16,652,700	-	16,652,700	-	-	-
Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan (中歐基金 – 農業銀行 – 中歐中證金融資產管理計劃)	Others	0.23	16,652,700	+16,652,700	-	16,652,700	-	-	-
Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan (博時基金 – 農業銀行 – 博時中證金融資產管理計劃)	Others	0.23	16,652,700	+16,652,700	-	16,652,700	-	-	-

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

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

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

##### Details of shareholders with more than 5% of shares (Continued)

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of shares as at the end of the Reporting Period	Increase/ decrease during the Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Status of shares	Number of shares pledged or frozen	Amount
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan (大成基金 – 農業銀行 – 大成中證金融資產管理計劃)	Others	0.23	16,652,700	+16,652,700	-	16,652,700	-	-	-
Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan (嘉實基金 – 農業銀行 – 嘉實中證金融資產管理計劃)	Others	0.23	16,652,700	+16,652,700	-	16,652,700	-	-	-
Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan (易方達基金 – 農業銀行 – 易方達中證金融資產管理計劃)	Others	0.23	16,652,700	+16,652,700	-	16,652,700	-	-	-

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

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

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

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

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

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

Name of shareholder	Number of shares held not subject to trading moratorium at the end of the Year	Type of share	Amount
Angang Holding	4,868,547,330	Renminbi ordinary shares	4,868,547,330
HKSCC (Nominees) Limited	1,073,947,481	Overseas listed foreign shares	1,073,947,481
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	216,322,910	Renminbi ordinary shares	216,322,910
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	72,575,900	Renminbi ordinary shares	72,575,900
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse China Securities Financial Asset Management Plan (工銀瑞信基金－農業銀行－工銀瑞信中證金融資產管理計劃)	16,652,700	Renminbi ordinary shares	16,652,700
Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan(中歐基金－農業銀行－中歐中證金融資產管理計劃)	16,652,700	Renminbi ordinary shares	16,652,700
Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan(博時基金－農業銀行－博時中證金融資產管理計劃)	16,652,700	Renminbi ordinary shares	16,652,700
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan(大成基金－農業銀行－大成中證金融資產管理計劃)	16,652,700	Renminbi ordinary shares	16,652,700
Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan(嘉實基金－農業銀行－嘉實中證金融資產管理計劃)	16,652,700	Renminbi ordinary shares	16,652,700
Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan(易方達基金－農業銀行－易方達中證金融資產管理計劃)	16,652,700	Renminbi ordinary shares	16,652,700

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

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

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

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

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

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

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

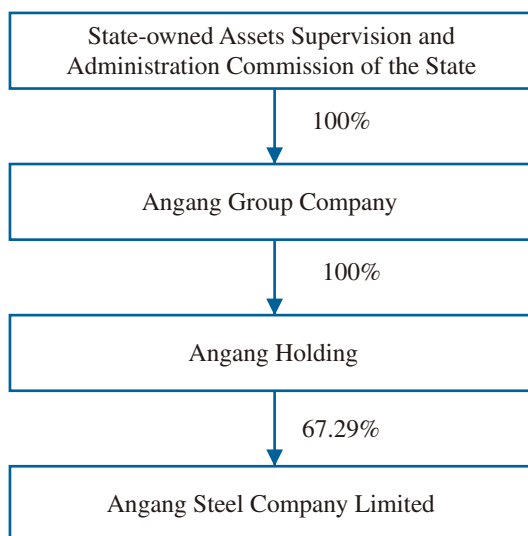
Stock Code	Name of Shares	Number of shares held (share)	Percentage of total share capital (%)
601288	Agricultural Bank of China	113,700,000	0.0350
601939	China Construction Bank	103,906,713	0.0416
601988	Bank of China	145,991,814	0.0496
600705	AVIC Capital	6,906,352	0.1539
601989	CSICL	30,640,000	0.1669
600771	Guangyuyuan (廣譽遠)	3,488,781	1.2558
600432	Jien Nickel	21,690,200	1.3525
601398	ICBC	129,625,015	0.0364
601818	China Everbright Bank	2,000,000	0.0043
000001	Ping An Bank	11,164,003	0.0780
600016	China Minsheng Bank	2,820,000	0.0077
601166	Industrial Bank	1,340,000	0.0070
600036	China Merchants Bank	1,000,000	0.0040
601628	China Life	1,962,200	0.0069
601998	China Citic Bank	2,300,000	0.0049
600104	SAIC Motor	451,500	0.0041
000166	Shenwan Hongyuan	1,750,000	0.0118
000629	Pangang Vanadium & Titanium (攀鋼釩鈦)	928,946,141	10.8146
HK 00939	China Construction Bank	180,000	0.0001
HK 01288	Agricultural Bank of China	320,000	0.0001
HK 01398	ICBC	210,000	0.0001
HK 03988	Bank of China	270,000	0.0001



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

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

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



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

Save as disclosed below, as at 31 December 2015, no parties (other than Directors, Supervisors and senior management of the Company) had any interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

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

Name of shareholders	Number and class of shares held	Percentage of total share capital	Percentage of total H Shares in issue	Percentage of total domestic shares in issue	Capacity
Angang Holding	4,868,547,330 State shares	67.29%	–	79.18%	Beneficial owner
HKSCC Nominees Limited	1,073,947,481 H Shares	14.84%	98.91%	–	Nominee

#### 5. During the Reporting Period, there was no shareholding increase plan not proposed or implemented by the shareholders of the Company and its parties acting in concert.

# Information on Directors, Supervisors, Senior Management and Employees

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

Name	Position	Status of Position	Gender	Age	Date of Commencement of Term	Date of Termination of Term	No. of Shares	No. of Shares	No. of Shares	No. of Shares
							Held at the Beginning of the Reporting Period (shares)	Increased in the Reporting Period (shares)	Reduced in the Reporting Period (shares)	Held at the End of the Reporting Period (shares)
Yao Lin	Chairman	In office	Male	51	2015.06.03	-	10,000	-	-	10,000
Wang Yidong	Director	In office	Male	48	2013.07.08	-	10,200	-	2,550	7,650
	General Manager	In office			2013.07.08	-				
Zhang Lifen	Director	In office	Female	51	2015.06.03	-	8,250	-	-	8,250
	Deputy General Manager	In office			2009.11.05	-				
Zhang Jingfan	Director	In office	Male	51	2015.08.21	-	0	-	-	0
	Joint Secretary to the Board	In office			2015.11.24	-				
	Chief Accountant	In office			2015.06.03	-				
Chen Fangzheng	Independent non-executive Director	In office	Male	70	2013.07.08	-	0	-	-	0
Qu Xuanhui	Independent non-executive Director	In office	Male	56	2013.07.08	-	0	-	-	0
Liu Zhengdong	Independent non-executive Director	In office	Male	50	2014.06.04	-	0	-	-	0
Wilton Chi Wai Chau	Independent non-executive Director	In office	Male	55	2014.06.04	-	0	-	-	0
Lin Daqing	Chairman of the Supervisory Committee	In office	Male	51	2015.8.21	-	0	-	-	0
Song Jun	Supervisor	In office	Male	57	2014.10.14	-	0	-	-	0
Bai Hai	Supervisor	In office	Male	41	2013.07.08	-	0	-	-	0
Liu Jun	Deputy General Manager	In office	Female	48	2013.03.27	-	0	-	-	0
Kwok Siu Man	Joint Secretary to the Board	In office	Male	57	2015.11.24	-	0	-	-	0
Zhang Xiaogang	Former Chairman	Resigned	Male	62	2013.07.08	2015.03.30	10,000	-	-	-
Tang Fuping	Former Vice Chairman	Resigned	Male	58	2013.07.08	2015.03.30	10,000	-	-	-
Yang Hua	Former Vice Chairman	Resigned	Male	54	2013.07.08	2015.06.03	10,000	-	-	-
Ma Lianyong	Former Director	Resigned	Male	54	2013.07.08	2015.06.03	10,000	-	-	10,000
	Former Secretary to the Board	Resigned			2013.05.15	2015.11.24				
	Former Chief Engineer	Resigned			2002.03.25	2015.06.03				
Xu Zhiwu	Former Chairman of the Supervisory Committee	Resigned	Male	56	2013.12.31	2015.08.21	0	-	-	0
Ren Ziping	Former Chief Engineer	Resigned	Male	52	2011.08.12	2015.10.22	24,000	-	-	24,000
Liu Jie	Former Deputy General Manager	Resigned	Male	50	2014.12.19	2015.10.22	0	-	-	0
	Manager									
Jing Fengru	Former Deputy General Manager	Resigned	Male	55	2014.12.19	2015.03.30	0	-	-	-
	Manager									

*Note:* All the shares held by the persons above were A Shares of the Company and were held by them in their capacity as individual beneficial owners. The shareholding at the end of the Reporting Period of former Directors who had resigned for more than 6 months and of whom the trading moratorium of the shares was lifted during the Reporting Period could not be verified and thus was not disclosed.

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

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

Save as disclosed above, as at 31 December 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 otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules.

## II. EMPLOYMENT INFORMATION

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

#### Members of the Board of Directors

##### Executive Directors:

**Mr. Yao Lin**, chairman of the Company, is a professor-level senior engineer. He currently serves as member of the standing committee of the Party Committee and the deputy general manager of Angang Group Company (鞍鋼集團公司) cum chairman of the board of Angang Holding which is the immediate controlling shareholder of the Company. Mr. Yao graduated from the Faculty of Mechanical Electronic Engineering of the University of Science and Technology Beijing with a doctor's degree. Mr. Yao joined Anshan Iron & Steel Group Complex in 1988, and has previously served as plant manager of the Cold-Rolling Plant of the Company, deputy general manager of the Company, general manager of the Company, and member of the standing committee of the Party Committee and deputy general manager of Anshan Iron & Steel Group Complex, as well as deputy general manager and member of the standing committee of the Party Committee of Angang Group Company cum chairman of the board and the secretary to the Party Committee of Pangang Group Company (攀鋼集團有限公司).

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

### II. EMPLOYMENT INFORMATION (*Continued*)

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

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

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

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

**Mr. Zhang Jingfan**, a Director, Chief Accountant, Joint Company Secretary and secretary to the Board and a professor-level senior accountant, is a prominent talent in the field of accounting across the nation. Mr. Zhang graduated from the Harbin Institute of Technology (哈爾濱工業大學) with a bachelor's degree in management engineering, and obtained a MBA degree in business administration from the Northeastern University (東北大學). Mr. Zhang joined Angang Holding in 1989. Mr. Zhang previously served as, among others, the vice-head then head of the budgeting division of the Financial Planning Department of Angang Holding, deputy head and head of the Financial Planning Department of the Company, head of the Financial Affairs Department of Pangang Vanadium & Titanium, the deputy general manager, the financial controller, secretary to the board of directors and manager of the Financial Affairs Department of Pangang Vanadium & Titanium and also concurrently served as a director of Angang Group Financial Company (鞍鋼集團財務公司), Angang Group Hong Kong (Holdings) Limited and Angang Group Investment (Australia) Pty. Ltd.

##### Independent Non-executive Directors:

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

### II. EMPLOYMENT INFORMATION (*Continued*)

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

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

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

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

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

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

## II. EMPLOYMENT INFORMATION (Continued)

### 1. Major work experiences of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

#### Members of the Supervisory Committee

**Mr. Lin Daqing** is the chairman of the Supervisory Committee of the Company. He currently holds the positions of deputy secretary to the Communist Party Committee and chairman of the labor union of the Company. He is a deputy secretary to the Communist Party Committee and chairman of the labor union of Anshan Iron & Steel Group Complex\* (鞍山鋼鐵集團公司), and a professor-level senior engineer. Mr. Lin obtained a bachelor's degree in steel rolling from Anshan Institute of Iron and Steel (鞍山鋼鐵學院) and a master's degree in metallurgical materials engineering from the Northeastern University (東北大學). Mr. Lin joined Anshan Iron & Steel Group Complex in 1988 and has previously served as an assistant to the factory manager of Cold Rolling Plant (冷軋廠) of Anshan Iron & Steel Group Complex; deputy factory manager and factory manager of the Wire Plant (線材廠) of the Company; an assistant to the general manager of the Company; deputy general manager of the Company; deputy general manager of Angang New Steel Group Limited\* (鞍鋼新鋼鐵公司); an assistant to the general manager of Anshan Iron & Steel Group Complex; a member of standing committee of the Communist Party Committee and deputy general manager cum secretary of the Committee for Discipline Inspection of Anshan Iron & Steel Group Complex.

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

#### Staff Representative Supervisor:

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

## II. EMPLOYMENT INFORMATION (*Continued*)

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

#### Other Senior Management Members

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

**Mr. Seaman Kwok**, is the Joint Company Secretary of the Company. Currently, he is the Head of Corporate Secretarial, Boardroom Corporate Services (HK) Limited and a director of Boardroom Share Registrars (HK) Limited. Mr. Kwok is a fellow member of each of The Institute of Chartered Secretaries and Administrators in the United Kingdom, The Hong Kong Institute of Chartered Secretaries (the "HKICS"), The Institute of Financial Accountants in England, The Institute of Public Accountants in Australia, the Association of Hong Kong Accountants and The Hong Kong Institute of Directors; and a member of the Hong Kong Securities and Investment Institute. He possesses professional qualifications in arbitration, taxation, financial planning and human resources management. He possesses a membership certificate of the HKICS. In addition, Mr. Kwok holds a bachelor of arts degree and a postgraduate diploma in laws. He was a member of the council of the HKICS and also a chief examiner of the international qualifying examinations thereof. Mr. Kwok has approximately 25 years' extensive legal, corporate secretarial and management experience gained at company secretary and other senior positions from several renowned companies overseas and in Hong Kong. He is currently a director of a charitable foundation and an independent non-executive director of a main board listed company on the Hong Kong Stock Exchange. He is a company secretary and a joint company secretary in a number of companies listed on the Hong Kong Stock Exchange.

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

### II. EMPLOYMENT INFORMATION (*Continued*)

#### 2. Positions at the shareholders of the Company

Name of the personnel who held position	Name of the shareholder	Position at the shareholder	Commencement date of term	End date of term	Receipt of remuneration and allowance in the shareholder
Yao Lin	Angang Holding	Chairman	March 2015	–	Yes
	Angang Group Company	Deputy General Manager	July 2011	–	
Wang Yidong	Angang Holding	General Manager	October 2015	–	No
Lin Daqing	Angang Holding	Deputy Secretary of the Party Committee and chairman of the labor union	December 2013	–	Yes

Details of the position held at the shareholder

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#### 3. Positions at other organizations

Name of the personnel who held position	Name of such other organization	Position held at such other organization	Commencement date of term	End date of term	Receipt of remuneration and allowance at such other organization
Song Jun	Angang Mining Group Corporation (鞍鋼礦業集團公司)	Secretary of the Commission for Discipline Inspection	June 2015	–	Yes
Chen Fangzheng	Tongji University	Professor and tutor for doctoral students	January 1997	–	Yes
Qu Xuanhui	University of Science and Technology Beijing	Dean of the Institute for Advanced Materials and Technology and tutor for doctoral students	January 2001	–	Yes
Liu Zhengdong	Special Steel Institute under the Central Iron & Steel Research Institute of China Iron & Steel Research Institute Group	Deputy head	January 2012	–	Yes
Wilton Chi Wai Chau	Qleap Venture Limited	Chairman	May 2003	–	Yes

Details of the position held at other organizations

–



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

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

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

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

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

Name	Position	Gender	Age	Status of Position	Total Remuneration Received from the Company (RMB0'000)	Whether the remuneration was received from a corporate shareholder
Yao Lin	Chairman	Male	51	In office	-	Yes
Wang Yidong	Director and General Manager	Male	48	In office	41.91	No
Zhang Lifen	Director and Deputy General Manager	Female	51	In office	39.57	No
Zhang Jingfan	Director, Joint Secretary to the Board and Chief Accountant	Male	51	In office	8.72	No
Chen Fangzheng	Independent Non-executive Director	Male	70	In office	9.00	No
Qu Xuanhui	Independent Non-executive Director	Male	56	In office	9.00	No
Liu Zhengdong	Independent Non-executive Director	Male	50	In office	9.00	No
Wilton Chi Wai Chau	Independent Non-executive Director	Male	55	In office	9.00	No
Lin Daqing	Chairman of the Supervisory Committee	Male	51	In office	-	Yes
Song Jun	Supervisor	Male	57	In office	26.48	No
Bai Hai	Supervisor	Male	41	In office	9.97	No
Liu Jun	Deputy General Manager	Female	48	In office	34.05	No
Kwok Siu Man	Joint Company Secretary	Male	57	In office	0.66	No
Zhang Xiaogang	Former Chairman	Male	62	Resigned	-	Yes
Tang Fuping	Former Vice Chairman	Male	58	Resigned	-	Yes
Yang Hua	Former Vice Chairman	Male	54	Resigned	-	Yes
Ma Lianyong	Former Director, Former Secretary to the Board and Former Chief Accountant	Male	54	Resigned	25.43	No
Xu Zhiwu	Former Chairman of the Supervisory Committee	Male	56	Resigned	-	Yes
Ren Ziping	Former Chief Engineer	Male	52	Resigned	36.05	No
Liu Jie	Former Deputy General Manager	Male	50	Resigned	-	Yes
Jing Fengru	Former Deputy General Manager	Male	55	Resigned	-	Yes

*Note:* The above remuneration excludes the insurance, welfare fund, membership fees of the labor union, education surcharges and other costs of salary recorded by the Company.

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

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

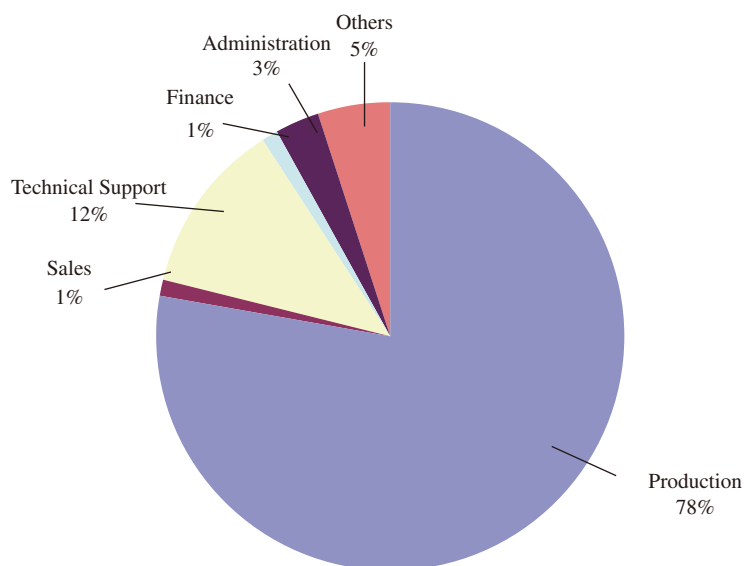
Name	Position	Category	Date	Reason
Zhang Xiaogang	Former Chairman	Resigned	30 March 2015	The resignation from the Director and Chairman was proposed due to job reassignment
Tang Fuping	Former Vice Chairman	Resigned	30 March 2015	The resignation from the Director and Vice Chairman was proposed due to job reassignment
Yang Hua	Former Vice Chairman	Resigned	3 June 2015	The resignation from the Director and Vice Chairman was proposed due to job reassignment
Ma Lianyong	Former Director	Resigned	3 June 2015	The resignation from the Director was proposed due to job reassignment
	Former Secretary to the Board	Resigned	24 November 2015	The resignation from the secretary to the Board was proposed due to job reassignment
	Former Chief Accountant	Resigned	3 June 2015	The resignation from the chief accountant was proposed due to job reassignment
Xu Zhiwu	Former Chairman of the Supervisory Committee	Resigned	21 August 2015	The resignation from the chairman of the Supervisory Committee and Supervisor was proposed due to job reassignment
Liu Jie	Former Deputy General Manager	Resigned	22 October 2015	The resignation from the Deputy General Manager was proposed due to job reassignment
Jing Fengru	Former Deputy General Manager	Resigned	30 March 2015	The resignation from the Deputy General Manager was proposed due to job reassignment
Ren Ziping	Former Chief Engineer	Resigned	22 October 2015	The resignation from the chief engineer was proposed due to job reassignment

### V. EMPLOYEES OF THE COMPANY

#### 1. Number and constitution of employees

As at 31 December 2015, the Company had 37,821 employees, among whom:

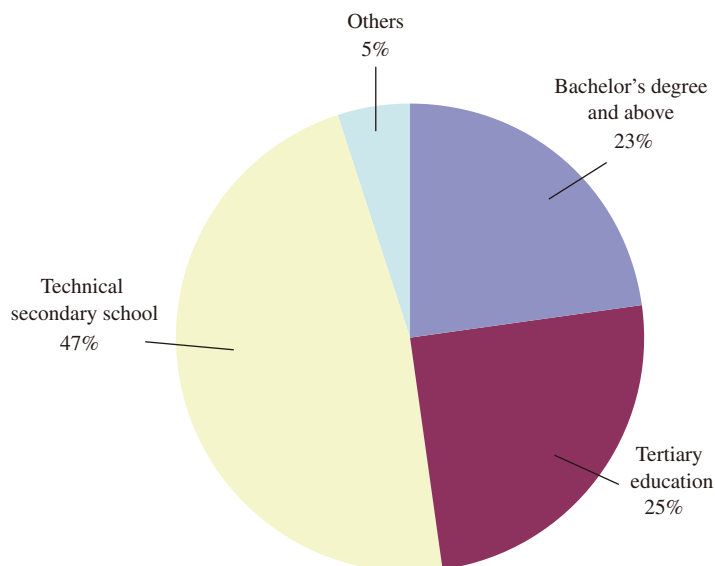
##### By Profession:



**V. EMPLOYEES OF THE COMPANY** (*Continued*)

**1. Number and constitution of employees** (*Continued*)

**By Educational Level:**



**2. Training programs**

In 2015, training programs of the Company were focused on production and operations and on deepening the reform in human resources and the corporate transformation and upgrades, and the Company embarked on the cultivation of strategic leadership in order to constantly stress the significance behind and heighten the sense of responsibility of key management members. With the innovative and motivating vision, the Company increased the confidence and courage of the employees in eliminating bottlenecks and overcoming their weaknesses. Through optimizing product structure, improving product quality, enhancing awareness in terms of services and strengthening the corporate management framework, it sought changes amidst the challenging circumstances and maneuvered past difficulties, in turn sharpening its competitive edges in an on-going manner. By virtue of the focus, effectiveness and forward-looking mindset in refining the training programs, the Company fostered the sustainable development and facilitated the improvement in the overall quality of the team behind in a holistic fashion, thereby providing itself with the protective measures necessary for continuous development and optimization of its talent reserves.

**V. EMPLOYEES OF THE COMPANY (Continued)**

**2. Training programs (Continued)**

In 2015, 39,391 persons attended and completed centralized training courses. 3,066 senior management attended training for, among others, political theory knowledge, strategic management, 7,058 management and professional technical staff attended trainings for management knowledge and expertise. 4,928 high-skilled talents attended trainings for the capability of innovation. 8,438 production staff attended trainings for technical grades and equipment inspection. 9,966 persons attended trainings for specialized operation security qualifications, while 5,910 persons attended trainings for team and group security and vocational loyalty training. 25 management and experts attended training courses in colleges. 33,483 staff members from the low-income class completed training for on-the-job knowledge and operation techniques.

**3. Salary Policy**

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

**4. Salary Costs of the Company**

	<b>Reporting Period</b>
Total number of employees that received salary during the period	37,038
Total salary incurred during the period	RMB4,092 million
Percentage of total salary over operating income for the period	7.76%
Salary per member of the senior management	RMB610,000
Salary per employee	RMB110,000

*Note:* Each of the items above for the amount of salary is calculated based on the salary recognized as costs and expenses (including various insurance premiums, welfare expenses, provident funds, education surcharges, membership fees of labor unions and other salary costs) within the extent of the consolidated financial statements for the year.

# Corporate Governance

## I. BASIC INFORMATION ON CORPORATE GOVERNANCE

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

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

Yes  No

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

On 27 March 2012, pursuant to the Requirements for the Establishment of Administrative System for Registration of Persons with Inside Information of Listed Companies\* (《關於上市公司建立內幕資訊知情人登記管理制度的規定》) stipulated by the CSRC, the Board of the Company has further amended the Administrative System for Registration of Persons with Inside Information (《內幕資訊知情人登記管理制度》). For routine management on inside information, the Company stringently complied with requirements of the securities regulatory authorities, designated personnel to promptly perform registration and filing for persons with insider information. During the price sensitive period of periodic reports and major information disclosure of the Company, the Company reminded personnel with insider information not to trade the Company's shares, enhanced supervision and control over the shareholding of personnel with insider information and effectively prevented the occurrence of insider trading.

## II. THE INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATIONS, FINANCE AND OTHER ASPECTS

The Company is completely independent from the controlling shareholder in terms of business, personnel, assets, organizations, finance and other aspects. The Company is set up and operates in complete independence from the controlling shareholder in terms of business, personnel, assets, organizations, finance and other aspects, which is in conformity with the requirements of relevant laws and regulations. The Company has independent and complete business operations and possesses the capability for operating independently.

## Corporate Governance (*Continued*)

### III. COMPETITION WITH PEERS IN THE INDUSTRY

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

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

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

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

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

<b>Session of Meeting</b>	<b>Type of Meeting</b>	<b>Date of convening</b>	<b>Date of disclosure</b>
2014 annual general meeting	Annual general meeting	3 June 2015	4 June 2015
2015 first extraordinary general meeting	Extraordinary general meeting	21 August 2015	22 August 2015
2015 second extraordinary general meeting	Extraordinary general meeting	12 October 2015	13 October 2015
2015 third extraordinary general meeting	Extraordinary general meeting	23 December 2015	24 December 2015

## Corporate Governance (*Continued*)

### V. ATTENDANCE OF INDEPENDENT DIRECTORS AT BOARD MEETINGS AND GENERAL MEETINGS

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

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

Name of independent Directors	Required attendance at the Board meetings during the Reporting Period	Attendance in person	Attendance through communication	Attendance by proxy	Non-attendance in person for two consecutive times
Chen Fangzheng	19	4	15	0	0 No
Qu Xuanhui	19	3	15	1	0 No
Liu Zhengdong	19	4	15	0	0 No
Chau Chi Wai, Wilton	19	3	15	1	0 No

Attendance of independent Directors at general meetings 2 meetings

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

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

### VI. CORPORATE GOVERNANCE REPORT

#### 1. Corporate Governance Practice

With shares listed on both the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, the Company is committed to improving its corporate governance in accordance with international corporate governance standards. The Board and the management understand that they are responsible for sound corporate governance practice and procedures with strict implementation, so as to ensure the interests of shareholders and maximise the investment return for the shareholders in the long run.

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 code provisions set out in the Corporate Governance Code during the Reporting Period.

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

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

In 2015, the Company did not make any insurance arrangement in respect of the Directors.

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, and other regulations, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system, and endeavoured to reduce the legal risks for Directors. Therefore, no insurance arrangement was made in respect of the Directors.

#### 2. Securities Transactions of the Directors

The Board has adopted the Model Code as the standard for the Directors’ dealings in the securities of the Company. Having made specific enquiry of all Directors, they have confirmed that they have complied with the required standards set out in the Model Code.

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

#### 3. Independent Non-executive Directors

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

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



## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

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

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

The Board of the Company establishes four special committees, which are all comprised of Directors. In particular, the majority of the members of the Audit Committee, Nomination Committee, Remuneration and Appraisal Committee are independent non-executive Directors who are also the conveners. There is at least one independent non-executive Director in the Audit Committee who possesses professional qualifications in accounting. Each of the special committees is accountable to the Board and submits proposals to the Board for consideration and approval. Members of the Board of the Company and their attendance at the meetings in 2015 are as follows:

Name	Position in the Board	Attendance at the Board meetings (attendance by proxy)/ attendance rate	Attendance at the general meetings/ attendance rate
Yao Lin	Chairman	12(0)/100%	2/67%
Wang Yidong	Executive Director	19(0)/100%	2/50%
Zhang Lifan	Executive Director	19(0)/100%	1/33%
Zhang Jingfan	Executive Director	8(0)/100%	2/100%
Chen Fangzheng	Independent non-executive Director	19(0)/100%	2/50%
Qu Xuanhui	Independent non-executive Director	19(1)/95%	1/25%
Liu Zhengdong	Independent non-executive Director	19(0)/100%	2/50%
Chau Chi Wai, Wilton	Independent non-executive Director	19(1)/95%	1/25%
Zhang Xiaogang	Former Chairman	4(1)/75%	0%
Tang Fuping	Former Vice Chairman	4(0)/100%	0%
Yang Hua	Former Vice Chairman	8(1)/88%	0%
Ma Lianyong	Former Director	8(1)/88%	0%

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

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

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

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

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

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

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

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

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

In 2015, the Board of the Company held a total of 19 Board meetings.

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

In 2015, the members of the Remuneration and Appraisal Committee of the Company and their attendance at meetings are as follows:

<b>Name</b>	<b>Position in the Committee</b>	<b>Attendance at meetings</b>
Chau Chi Wai, Wilton <i>(Independent non-executive Director)</i>	Chairman/convener	100%
Yao Lin <i>(Executive Director)</i>	member	–
Chen Fangzheng <i>(Independent non-executive Director)</i>	member	100%
Qu Xuanhui <i>(Independent non-executive Director)</i>	member	100%
Liu Zhengdong <i>(Independent non-executive Director)</i>	member	100%
Yang Hua	Former member	100%

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

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

Main duties of the Remuneration and Appraisal Committee are:

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

In 2015, the Remuneration and Appraisal Committee of the Company held one meeting which mainly assessed the performance of the Directors and senior management personnel of the Company during 2014 and reviewed their remunerations for 2014, and submitted the same to the Board for consideration.

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

##### (4) Nomination Committee

In 2015, the members of the Nomination Committee of the Company and their attendance are as follows:

<b>Name</b>	<b>Position in the Committee</b>	<b>Attendance at meetings</b>
Liu Zhengdong <i>(Independent non-executive Director)</i>	Chairman/convener	100%
Yao Lin <i>(Executive Director)</i>	member	100%
Chen Fangzheng <i>(Independent non-executive Director)</i>	member	100%
Qu Xuanhui <i>(Independent non-executive Director)</i>	member	100%
Chau Chi Wai, Wilton <i>(Independent non-executive Director)</i>	member	100%
Zhang Xiaogang	former member	100%

Main duties of the Nomination Committee are:

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

In 2015, the Nomination Committee of the Company held four meetings to nominate the executive Directors, chief accountant, and secretary to the Board and other personnel of the Company in accordance with the qualification requirements and relevant requirement of regulations and the Articles of Association.

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

##### (5) Audit Committee

In 2015, the members of the Audit Committee of the Company and their attendance are as follows:

<b>Name</b>	<b>Position in the Committee</b>	<b>Attendance at meetings</b>
Chau Chi Wai, Wilton <i>(Independent non-executive Director)</i>	Chairman/convener	100%
Chen Fangzheng <i>(Independent non-executive Director)</i>	member	100%
Qu Xuanhui <i>(Independent non-executive Director)</i>	member	100%
Liu Zhengdong <i>(Independent non-executive Director)</i>	member	100%

Main duties of the Audit Committee are:

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

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

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

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

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

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

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (h) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the Company's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in respect of the terms of reference;
- (n) to consider other topics, as defined by the Board;



## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

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

- (o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.

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

In 2015, the Audit Committee of the Company held a total of five meetings. During the meetings, the Audit Committee mainly reviewed the quarterly, interim and annual financial statements of the Company and financial information set out in the quarterly, interim and annual reports of the Company, reviewed the internal control system of the Company, and the changes of accounting estimates, etc.

The Audit Committee and the management of the Company have jointly examined the Company's accounting policy and have discussed the issues in relation to the auditing, internal control and financial statements of the Company, including a review of the audited financial statements for the year ended 31 December 2015.

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

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

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

✧ Opinions after reviewing the Financial Report for 2015

The Company's financial report for 2015 was prepared based on the requirements of the PRC ASBE; expenditures were reasonable; revenues, expenses and profits were recognized truly and accurately; relevant provisions were made as specified by the laws, regulations and relevant systems, reflecting the Company's financial positions, operating results and cash flow in a true, accurate and complete manner; it was approved to be submitted to the Board of the Company for consideration.

✧ Opinions on the Audit Work by Accountants for 2015

Ruihua Certified Public Accountants (Special General Partnership) performed their duties during the auditing of the Company's financial statements for 2015 in accordance with relevant laws and regulations of the PRC and Hong Kong and in compliance with professional ethics of accountants, and expressed their opinion on the Company's accounting statements objectively and fairly, enabling the Company to satisfy the requirements from the domestic and overseas regulatory institutions.

✧ Opinions on the Appointment of Ruihua Certified Public Accountants (Special General Partnership) as auditor of the Company for 2016

The Board has proposed to reappoint Ruihua Certified Public Accountants (Special General Partnership) as the auditor of the Company for 2016 for a term from the close of the 2015 Annual General Meeting to the time of convening of the annual general meeting for 2016.

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

##### (6) Training for Directors

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

#### 5. Chairman and General Manager

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

Duties of the Chairman:

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

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

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

Duties of the General Manager:

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

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

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

#### 6. Rights of Shareholders

- (1) How the shareholders can convene an extraordinary general meeting

Pursuant to Article 76 of the Articles of Association of the Company:

“any shareholder(s) individually or aggregately holding more than 10% of the shares of the Company shall be entitled to request in writing to the Board to convene an extraordinary general meeting. The Board shall reply, in writing, within 10 days upon receipt of such proposal, whether or not it consents to the convening of extraordinary general meeting in accordance with the provisions of the laws, administrative regulations and the Articles of Association of the Company.

The Board shall give the notice convening an extraordinary general meeting within 5 days after it has passed the relevant resolution. Any change made to the original request in the notice shall be subject to the consent of such shareholder(s).

If the Board does not consent to convene such an extraordinary general meeting or does not reply within 10 days upon receipt of such request, such shareholder(s) individually or in aggregate holding more than 10% of the shares of the Company shall be entitled to request in writing to the Supervisory Committee to convene such an extraordinary general meeting.”

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

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

#### 6. Rights of Shareholders (*Continued*)

- (2) The procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed.

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

- (3) Procedures and sufficient contact details for putting forward proposals at shareholders' general meetings.

Shareholders are welcome to send their written enquiries to the Company's Office of Secretary of the Board at Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC. Alternatively, shareholders may also contact us through our Investor Relations Hotline +86-412-841 7273, facsimile +86-412- 672 7772, or e-mail at [ansteel@ansteel.com.cn](mailto:ansteel@ansteel.com.cn), or raise your enquiries directly at the annual general meeting.

#### 7. In 2015, no changes were made to the Articles of Association.

#### 8. Corporate Governance Responsibilities

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

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

## Corporate Governance (*Continued*)

### VI. CORPORATE GOVERNANCE REPORT (*Continued*)

#### 9. Remuneration of auditor

For the year ended 31 December 2015, the Company paid audit fees of RMB4.6 million to Ruihua Certified Public Accountants (Special General Partnership), the external auditor of the Company, of which RMB3.72 million was paid for audit fees of annual financial report and RMB0.88 million was paid for audit fees of internal control.

#### 10. Joint Company Secretaries

The Company has appointed Mr. Zhang Jingfan as one of the Joint Company Secretaries on 24 November 2015. Mr. Zhang joined Angang Holding in 1989 and is familiar with the Company's operations and business.

To uphold good corporate governance of the Company and in compliance with the Hong Kong Listing Rules, the Company has also appointed Mr. Kwok Siu Man, who meets the requirements under Note 1 to Rule 3.28 of the Hong Kong Listing Rules, as the other Joint Company Secretary to work closely with and provide assistance to Mr. Zhang in his discharge of duties and responsibilities as a Joint Company Secretary. Mr. Kwok was nominated by Boardroom Corporate Services (HK) Limited ("Boardroom") to assume such office and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Mr. Kwok has been contacting in respect of company secretarial matters is Mr. Zhang Jingfan, who is an executive Director, chief accountant, Joint Company Secretary and Secretary to the Board of the Company.

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

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

## VIII. INTERNAL CONTROL

### 1. Specific information on whether significant defects of internal control were found during the Reporting Period

Yes                       No

### 2. Self-evaluation Report on Internal Control

Date of disclosure of full text of the evaluation report on internal control	31 March 2016
Reference of disclosure of full text of the audit report on internal control	on CNINF <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The proportion of the total unit asset under the scope of evaluation to the total assets of the consolidated financial statements of the Company	97.35%
The proportion of the unit operating income to the operating income of the consolidated financial statements of the Company	97.68%

#### Defect identification standards

Type	Financial report	Non-financial report
Nature identification standard	The directors, supervisors and senior management are found to have fraudulent behavior; significant deficiency that has been identified and reported to the management but remain uncorrected after a reasonable period of time; amendment to published financial report to reflect correction to significant reporting error due to fraudulent behavior or mistakes; significant reporting error discovered by external audit is not firstly found by the Company; other defect that may have impact on the correct judgement of the users of the statements.	1. Defect identification standards for daily operations and internal control: (i) Significant defect: affects most of the principal business types/major functions of the Company; has significant effect on the overall operation of the Company and it will be difficult for the Company to recover in the long run. (ii) Major defect: affects part of the principal business types/major functions of the Company; has relatively large impact on the overall operation of the Company and the Company is required to pay a considerable consideration for its recovery in a longer period. (iii) General defect: affects certain of the principal business types/major functions or general business/general functions of the Company; has medium or below impact on the overall operation of the Company and the Company is required to pay a considerable consideration for its recovery in a certain period.



## Corporate Governance (*Continued*)

### VIII. INTERNAL CONTROL (*Continued*)

#### 2. Self-evaluation Report on Internal Control (*Continued*)

##### Defect identification standards (*Continued*)

Type	Financial report	Non-financial report
		<p>2. Defect identification standards for internal control of the Company's reputation as follows: (i) Significant defect: serious problems occur in various sales factors and most of the partners cease to cooperate or reduce the level of cooperation; negative reports issued by popular authoritative media to cause the suspension of cooperation among customers, suppliers and the Company; material quality problems are found in application of products to key construction projects and have certain impact on the society, thus the recognition from the public decreases; negative effect brought by counterfeit incident, thus the recognition from the public and loyalty of customers decrease; the Company's business is forced to stop by regulatory authorities. (ii) Major defect: partners continue to be dissatisfied with the Company in terms of quality, delivery time and price and other factors, thus certain partners cease their cooperation with the Company; negative reports from various media causes important partners to be concerned and public image is prejudiced; material quality issue results in discontinuity of cooperation and indirectly affects the cooperation with similar customers; the occurrence of counterfeit incident affects the normal sales channels and receivables, thus the interests of both the Company and the customers are prejudiced; the Company is reported or publicly denounced by regulatory authorities. (iii) General defect: prolonged delivery of goods and unstable quality, resulting in the reduction in cooperation with partners; concern from partners due to negative reports in a certain scope; quality issues in the application of products and inappropriate response resulting in tightening of conditions for continual cooperation with customers; the occurrence of counterfeit incident affects the normal sales of the Company's customers, resulting in the request of goods return or clarification from customers; internal rectification required by regulatory authorities.</p>

## Corporate Governance (*Continued*)

### VIII. INTERNAL CONTROL (*Continued*)

#### 2. Self-evaluation Report on Internal Control (*Continued*)

##### Defect identification standards (*Continued*)

Type	Financial report	Non-financial report
		<p>3. Defect identification standards for internal control of the Company's safety: (i) Significant defect: affects certain number of staff/public health/safety; significant accidents. (ii) Major defect: affects part of staff/public health/safety; major accidents. (iii) General defect: affects minority of staff/public health/safety; relatively larger accidents.</p> <p>4. Defect identification standards for internal control of the Company's environmental protection: (i) Significant defect: serious damage on the environment; occurrence of environmental protection incident at the level of significant environmental accident (National level II) or above. (ii) Major defect: relatively large damage on the environment; the occurrence of larger environmental accident (National III level). (iii) General defect: mid-level impact on the environment; the occurrence of general environmental incident (National level IV).</p>

## Corporate Governance (*Continued*)

### VIII. INTERNAL CONTROL (*Continued*)

#### 2. Self-evaluation Report on Internal Control (*Continued*)

##### Defect identification standards (*Continued*)

Type	Financial report	Non-financial report
Qualitative identification standard	<ol style="list-style-type: none"> <li>1. Significant defect: effect on total liabilities <math>\geq</math>RMB3 billion; effect on the total profit <math>\geq</math>50 million; effect on total assets <math>\geq</math>RMB8 billion.</li> <li>2. Major defect: RMB1 billion <math>\leq</math>effect on total liabilities <math>&lt;</math>RMB3 billion; 10 million <math>\leq</math>effect on total profit <math>&lt;</math>RMB50 million; RMB4.8 billion <math>\leq</math>effect on total assets <math>&lt;</math>RMB8 billion.</li> <li>3. General defect: effect on total liabilities <math>&lt;</math>RMB1 billion; effect on total profit <math>&lt;</math>RMB10 million; effect on total assets <math>&lt;</math>RMB4.8 billion.</li> </ol>	<p>Defect identification standards for internal control under the operating target of the Company as follows:</p> <ol style="list-style-type: none"> <li>1. Significant defect: has significant impact on one of the Company's budget indicators; has impact on most of the major objectives of management; has significant impact on working capital (0.8 times <math>\leq</math> current asset turnover rate <math>&lt;</math>1 time); has significant impact on the Company's profit budget indicator (affect profit <math>\geq</math>RMB800 million).</li> <li>2. Major defect: has relatively large impact on one of the Company's budget indicators; has impact on certain of the major objectives of management; has relatively large impact on working capital (0.5 times <math>\leq</math> current asset turnover rate <math>&lt;</math>0.8 time); has significant impact on the Company's profit budget indicator (RMB400 million <math>\leq</math> affect profit <math>&lt;</math>RMB800 million).</li> <li>3. General defect: has relatively medium impact or below on one of the Company's budget indicators; has impact on one of the major objectives of management or general objectives of management; has medium impact or below on working capital (current asset turnover rate <math>&lt;</math>0.5 time); has medium impact or below on the Company's profit budget indicator (affect profit <math>&lt;</math>RMB400 million).</li> </ol>

## Corporate Governance (*Continued*)

### VIII. INTERNAL CONTROL (*Continued*)

#### 2. Self-evaluation Report on Internal Control (*Continued*)

##### Defect identification standards (*Continued*)

Type	Financial report	Non-financial report
Number of significant defects of financial report	0	0
Number of significant defects of non-financial report	0	0
Number of major defects of financial report	0	0
Number of major defects of non-financial report	0	0

### IX. AUDIT REPORT ON INTERNAL CONTROL

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

Ruihua Certified Public Accountants (Special General Partnership) has audited the internal control of the financial report of the Company in respect of its effectiveness, and is of the opinion that Angang Steel Company Limited maintained effective internal control on the financial report in all material aspects in accordance with the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》) and the relevant regulations as of 31 December 2015.

Disclosure of the audit report on internal control	Disclosed
Date of disclosure of full text of the audit report on internal control	31 March 2016
Reference of disclosure of full text of the audit report on internal control	on CNINF <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Type of opinion on the audit report on internal control	Standard unqualified opinion
Whether there is material defect of the non-financial report	No

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

# Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday, 8 June 2016, details of which and the proposed resolutions are set out in the accompanying notice of annual general meeting of the Company.



通讯地址：北京市东城区永定门西滨河路8号院7号楼中海地产广场西塔5-11层  
Postal Address: 5-11/F, West Tower of China Overseas Property Plaza, Building 7, NO.8, Yongdingmen  
Xibinhe Road, Dongcheng District, Beijing  
邮政编码(Post Code)：100077  
电话(Tel)：+86 (10) 88095588 传真(Fax)：+86 (10) 88091199

RuiHua Audit [2016] No. 01490048

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

We have audited the accompanying financial statements of Angang Steel Company Limited (hereinafter the “Company”), which comprise the consolidated and company balance sheets as of December 31, 2015, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company’s statements of change in shareholders’ equity and the notes to the financial statements in 2015.

## 1. MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## 2. AUDITOR’S RESPONSIBILITY

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

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

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

## Audit Report (*Continued*)

### 3. OPINION

In our opinion, the financial statements present fairly, in all material respects, on the consolidated financial position of Angang Steel Company Limited as of December 31, 2015, and its consolidated financial performance and consolidated cash flows of Angang Steel Company Limited for the years ended December 31, 2015, the financial position of Angang Steel Company Limited and the financial performance and cash flows of Angang Steel Company Limited for the year 2015 in accordance with Accounting Standards for Business Enterprises.

RuiHua Certified Public Accountants  
(Special General Partnership)

Beijing, China  
March 30, 2016

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

**Cao Bin**  
**Deng Li**

# Consolidated Balance Sheet

As of December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Assets	Notes	December 31, 2015	December 31, 2014
<b>Current assets:</b>			
Cash at bank and on hand	6(1)	3,601	1,712
Financial assets at fair value through profit or loss	6(2)	4	
Notes receivable	6(3)	8,311	8,607
Accounts receivable	6(4)	1,123	1,835
Prepayments	6(6)	2,493	3,587
Dividends receivable	6(7)	6	
Other receivables	6(5)	49	18
Inventories	6(8)	8,008	10,865
Non-current assets due within 1 year			
Other current assets			
<b>Total current assets</b>		<b>23,595</b>	26,624
<b>Non-current assets:</b>			
Available-for-sale financial assets	6(9)	849	869
Long-term equity investments	6(10)	2,673	3,135
Investment properties			
Fixed assets	6(11)	51,014	46,122
Construction in progress	6(12)	2,852	5,933
Construction material	6(13)	6	38
Intangible assets	6(14)	6,086	6,234
Long-term deferred expenses			
Deferred income tax assets	6(15)	1,521	2,336
Other non-current assets			
<b>Total non-current assets</b>		<b>65,001</b>	64,667
<b>Total assets</b>		<b>88,596</b>	91,291

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**



## Consolidated Balance Sheet (Continued)

As of December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Liabilities and shareholders' equity	Notes	December 31, 2015	December 31, 2014
<b>Current liabilities:</b>			
Short-term loans	6(16)	16,319	14,672
Notes payable	6(17)	3,991	356
Accounts payable	6(18)	5,799	8,289
Advances from customers	6(19)	2,834	3,332
Employee benefits payable	6(20)	167	228
Tax and surcharges payable	6(21)	20	76
Interests payables	6(22)	181	203
Other payables	6(23)	2,106	1,894
Non-current liabilities due within 1 year	6(24)	4,587	1,701
Other current liabilities	6(25)	7,000	6,000
<b>Total current liabilities</b>		<b>43,004</b>	36,751
<b>Non-current liabilities:</b>			
Long-term loans	6(26)	962	1,371
Bonds payable	6(27)		3,983
Long-term employee benefits payable	6(28)	1	1
Deferred income	6(29)	914	969
Deferred income tax liabilities	6(15)	34	20
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>1,911</b>	6,344
<b>Total liabilities</b>		<b>44,915</b>	43,095
<b>Shareholders' equity:</b>			
Share capital	6(30)	7,235	7,235
Capital reserve	6(31)	31,519	31,154
Other comprehensive income	6(32)	18	7
Special reserve	6(33)	54	30
Surplus reserve	6(34)	3,580	3,580
Undistributed profit	6(35)	868	5,787
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		43,274	47,793
Minority interests		407	403
<b>Total shareholders' equity</b>		<b>43,681</b>	48,196
<b>Total liabilities and shareholders' equity</b>		<b>88,596</b>	91,291

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**

# Consolidated Income Statement

For the year ended December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2015	2014
<b>1. Operating income</b>		<b>52,759</b>	74,046
Including: operating income	6(36)	<b>52,759</b>	74,046
<b>2. Operating costs</b>		<b>57,027</b>	73,154
Less: Operating costs	6(36)	<b>49,469</b>	65,490
Business tax and surcharges	6(37)	<b>224</b>	213
Marketing expenses	6(38)	<b>2,311</b>	2,218
Administrative expenses	6(39)	<b>1,808</b>	1,850
Financial expenses	6(40)	<b>1,346</b>	1,272
Impairment losses on assets	6(42)	<b>1,869</b>	2,111
Add: Gains/losses from fair value variation	6(43)	<b>4</b>	
Investment income	6(41)	<b>391</b>	673
Including: Income from investment in jointly ventures and associates		<b>340</b>	587
<b>3. Operating profit</b>		<b>(3,873)</b>	1,565
Add: Non-operating income	6(44)	<b>182</b>	161
Less: Non-operating expenses	6(45)	<b>72</b>	147
Including: Losses on non-current assets disposal		<b>32</b>	137
<b>4. Profit before income tax</b>		<b>(3,763)</b>	1,579
Less: Income tax expenses	6(46)	<b>837</b>	655
<b>5. Net profit for the period</b>		<b>(4,600)</b>	924
The net profit belongs to the owners of the company		<b>(4,593)</b>	928
Minority interest income		<b>(7)</b>	(4)
<b>6. The net amount after tax of     other comprehensive income</b>	6(32)	<b>11</b>	26
(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			

## Consolidated Income Statement (*Continued*)

For the year ended December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2015	2014
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(32)	11	26
a. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method	6(32)	4	(4)
b. The profit or loss from the change at fair value of available-for-sale financial assets	6(32)	7	30
c. The profit or loss of available-for-sale financial assets from the reclassification of held-for-sale investment			
d. The effective portion of profit or loss from cash flows hedges			
e. The differences converted in foreign currency of financial statements			
f. Others			
<b>7. Earnings per share:</b>			
(1) Basic earnings per share ( <i>RMB/share</i> )		(0.635)	0.128
(2) Diluted earnings per share ( <i>RMB/share</i> )		(0.635)	0.128
<b>8. Total comprehensive income</b>		(4,589)	950
The other comprehensive income belongs to the owners of the company		(4,582)	954
The other comprehensive income belongs to the minority		(7)	(4)

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

Legal representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Controller:  
**Che Chengwei**

# Consolidated Cash Flow Statement

For the year ended December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2015	2014
<b>1. Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		47,633	65,019
Refund of tax and fare		20	21
Other cash received from operating activities	6(49)	333	194
<b>Sub-total of cash inflows</b>		<b>47,986</b>	65,234
<hr/>			
Cash paid for goods and services		34,382	54,679
Cash paid to and for the employees		4,076	4,099
Cash paid for all types of taxes		1,633	1,190
Other cash paid for operating activities	6(49)	2,758	3,129
<b>Sub-total of cash outflows</b>		<b>42,849</b>	63,097
<hr/>			
<b>Net cash flow from operating activities</b>	6(50)	<b>5,137</b>	2,137
<hr/>			
<b>2. Cash flows from investing activities:</b>			
Cash received from return of investments		149	
Cash received from investment income		685	541
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		4	4
Net cash received from disposal of subsidiaries and other operating units			
Other cash received from investment activities	6(49)	311	126
<b>Sub-total of cash inflows</b>		<b>1,149</b>	671
<hr/>			
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		3,807	4,416
Cash paid for acquisition of investments		70	680
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities	6(49)		
<b>Sub-total of cash outflows</b>		<b>3,877</b>	5,096
<hr/>			
<b>Net cash flow from investing activities</b>		<b>(2,728)</b>	(4,425)
<hr/>			

## Consolidated Cash Flow Statement (*Continued*)

For the year ended December 31, 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		11	343
Including: Received of subsidiary from minority shareholders		11	343
Cash received from borrowings		30,123	24,982
Other cash received from financing activities			
<b>Sub-total of cash inflows</b>		<b>30,134</b>	25,325
Cash paid for settling of debts		28,861	20,815
Cash paid for distribution of dividends or profit and repayment of interests		1,782	1,636
Including: Dividends or profit paid to minority shareholders			
Other cash paid for financing activities	6(49)	7	
<b>Sub-total of cash outflows</b>		<b>30,650</b>	22,451
<b>Net cash inflow from financing activities</b>		<b>(516)</b>	2,874
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>(4)</b>	
<b>5. Net increase in cash and cash equivalents</b>	6(50)	<b>1,889</b>	586
Add: Cash and cash equivalents brought forward	6(50)	<b>1,712</b>	1,126
<b>6. Cash and cash equivalents carried forward</b>	6(50)	<b>3,601</b>	1,712

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**

# Consolidated Statement of Changes in Shareholders' Equity

As of December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	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	
1. Balance as of December 31, 2014	7,235	31,154		7	30	3,580		5,787		403	48,196
Add: Changes of accounting policy											
Correction of prior year errors											
Others											
2. Balance as of January 1, 2015	7,235	31,154		7	30	3,580		5,787		403	48,196
3. Increase/decrease in 2015("+" represents loss)		365		11	24			(4,919)		4	(4,515)
(1) Total amount comprehensive income				11				(4,593)		(7)	(4,589)
(2) Capital introduced or withdrawn by owners		365								11	376
i. Capital introduced by owners										11	11
ii. Amount of shares-based payment recorded in owner's equity											
iii. Others		365									365
(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					24						24
i. Extracts of this period					65						65
ii. Usage of this period					(41)						(41)
(6) Others											
4. Balance as of December 31, 2015	7,235	31,519		18	54	3,580		868		407	43,681

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**

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

As of December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	2014										Total of shareholders' equity
	Shareholders' equity attributable to shareholders of the parent company										
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Minority interests	
<b>1. Balance as of December 31, 2013</b>	7,235	31,155		(19)	21	3,580		5,054		64	47,090
Add: Changes of accounting policy											
Correction of prior year errors											
Others											
<b>2. Balance as of January 1, 2014</b>	7,235	31,155		(19)	21	3,580		5,054		64	47,090
<b>3. Increase/decrease in</b>											
<b>2014 ("-" 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 December 31, 2014</b>	7,235	31,154		7	30	3,580		5,787		403	48,196

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**

# Balance Sheet

As of December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Assets	Notes	December 31, 2015	December 31, 2014
<b>Current assets:</b>			
Cash at banks and on hand		2,774	548
Financial assets at fair value through profit or loss		4	
Notes receivable		8,235	8,553
Accounts receivable	16(1)	1,635	3,122
Prepayments		1,806	3,108
Dividends receivable		6	
Other receivables	16(2)	47	17
Inventories		7,178	9,436
Non-current assets due within 1 year			
Other current assets			
<b>Total current assets</b>		<b>21,685</b>	<b>24,784</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets		849	869
Long-term equity investments	16(3)	4,538	4,727
Investment property			
Fixed assets		50,399	45,983
Construction in progress		1,569	5,441
Construction materials		4	37
Intangible assets		5,714	5,862
Long-term deferred expenses			
Deferred income tax assets		1,486	2,286
Other non-current assets			
<b>Total non-current assets</b>		<b>64,559</b>	<b>65,205</b>
<b>Total assets</b>		<b>86,244</b>	<b>89,989</b>

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**



## Balance Sheet (Continued)

As of December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Liabilities and shareholders' equity	Notes	December 31, 2015	December 31, 2014
<b>Current liabilities:</b>			
Short-term loans		15,917	14,322
Notes payable		3,989	339
Accounts payable		5,627	8,024
Advances from customers		2,458	3,043
Employee benefits payable		167	228
Tax and surcharges payable		220	309
Interests payables		171	203
Other payables		1,708	1,855
Non-current liabilities due within 1 year		4,566	1,701
Other current liabilities		7,000	6,000
<b>Total current liabilities</b>		<b>41,823</b>	<b>36,024</b>
<b>Non-current liabilities:</b>			
Long-term loans		301	1,272
Bonds payable			3,983
Long-term employee benefits payable		1	1
Deferred income		689	755
Deferred income tax liabilities		19	20
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>1,010</b>	<b>6,031</b>
<b>Total liabilities</b>		<b>42,833</b>	<b>42,055</b>
<b>Shareholders' equity:</b>			
Share capital		7,235	7,235
Capital reserve		31,565	31,200
Other comprehensive income		18	7
Special reserve		54	30
Surplus reserves		3,570	3,570
Undistributed profits		969	5,892
<b>Total shareholders' equity</b>		<b>43,411</b>	<b>47,934</b>
<b>Total liabilities and shareholders' equity</b>		<b>86,244</b>	<b>89,989</b>

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

Legal representative:  
Yao Lin

Chief Accountant:  
Zhang Jingfan

Controller:  
Che Chengwei

# Income Statement

For the year ended December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2015	2014
<b>1. Operating income</b>	16(4)	<b>51,534</b>	73,768
Less: Operating costs	16(4)	<b>48,387</b>	65,234
Business tax and surcharges		<b>219</b>	211
Marketing expenses		<b>2,259</b>	2,177
Administrative expenses		<b>1,765</b>	1,817
Financial expenses		<b>1,343</b>	1,272
Impairment losses on assets		<b>1,861</b>	2,101
Add: Gains/losses from fair value variation		<b>4</b>	
Investment income	16(5)	<b>396</b>	673
Including: Income from investment in jointly ventures and associates		<b>340</b>	587
<b>2. Operating profit</b>		<b>(3,900)</b>	1,629
Add: Non-operating income		<b>163</b>	159
Less: Non-operating expenses		<b>63</b>	147
Including: Losses on non-current assets disposal		<b>23</b>	137
<b>3. Profit before income tax</b>		<b>(3,800)</b>	1,641
Less: Income tax expenses		<b>797</b>	668
<b>4. Net profit for the period</b>		<b>(4,597)</b>	973
<b>5. The net amount after tax of other comprehensive income</b>			
<b>6. The net amount after tax of other comprehensive income</b>		<b>11</b>	26
(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			

## Income Statement (Continued)

For the year ended December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2015	2014
(2) The other comprehensive income			
which can be classified into profit or loss		11	26
1. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method		4	(4)
2. The profit or loss from the change of the fair value of available-for-sale financial assets		7	30
3. The profit or loss of available-for-sale financial assets from the reclassification of held-for-sale investment			
4. The effective portion of profit or loss from cash flows hedges			
5. The differences converted in foreign currency of financial statements			
6. Other			
<b>7. Total comprehensive income</b>		<b>(4,586)</b>	999

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

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**Zhang Jingfan**

*Controller:*  
**Che Chengwei**

# Cash Flow Statement

For the year ended December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2015	2014
<b>1. Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		46,975	64,663
Refund of tax and fare		5	19
Other cash received from operating activities		304	114
<b>Sub-total of cash inflows</b>		<b>47,284</b>	64,796
Cash paid for goods and services		33,934	54,431
Cash paid to and for employees		4,011	4,057
Cash paid for all types of taxes		1,587	1,161
Other cash paid for operating activities		2,675	3,060
<b>Sub-total of cash outflows</b>		<b>42,207</b>	62,709
<b>Net cash flow from operating activities</b>		<b>5,077</b>	2,087
<b>2. Cash flows from investing activities:</b>			
Cash received from return of investments		149	
Cash received from investment income		738	541
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		3	4
Net cash received from disposal of Subsidiaries and other business units		6	
Other cash received from investment activities		277	121
<b>Sub-total of cash inflows</b>		<b>1,173</b>	666
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		2,516	3,551
Cash paid for acquisition of investments		228	1,684
Other cash paid for investment activities			
<b>Sub-total of cash outflows</b>		<b>2,744</b>	5,235
<b>Net cash flow from investing activities</b>		<b>(1,571)</b>	(4,569)

## Cash Flow Statement (*Continued*)

For the year ended December 31, 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		29,008	24,602
Other cash received from financing activities			
<b>Sub-total of cash inflows</b>		<b>29,008</b>	24,602
<hr style="border-top: 1px dashed black;"/>			
Cash paid for settling of debts		28,265	20,813
Cash paid for distribution of dividends or profit and repayment of interests		1,729	1,632
Other cash paid for financing activities		290	
<b>Sub-total of cash outflows</b>		<b>30,284</b>	22,445
<hr style="border-top: 1px dashed black;"/>			
<b>Net cash inflow from financing activities</b>		<b>(1,276)</b>	2,157
<hr style="border-top: 1px dashed black;"/>			
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
		(4)	
<hr style="border-top: 1px dashed black;"/>			
<b>5. Net increase in cash and cash equivalents</b>		<b>2,226</b>	(325)
Add: Cash and cash equivalents brought forward		548	873
<hr style="border-top: 1px solid black;"/>			
<b>6. Cash and cash equivalents carried forward</b>		<b>2,774</b>	548

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

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**Zhang Jingfan**

*Controller:*  
**Che Chengwei**

# Statement of Changes in Shareholders' Equity

As of December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	2015								
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total of shareholders' equity
1. Balance as of December 31, 2014	7,235	31,200		7	30	3,570		5,892	47,934
Add: Changes of accounting policy									
Correction of prior year errors									
Others									
2. Balance as of January 1, 2015	7,235	31,200		7	30	3,570		5,892	47,934
3. Increase/decrease in 2015									
("+" represents loss)		365		11	24			(4,923)	(4,523)
(1) Total amount comprehensive income				11				(4,597)	(4,586)
(2) Capital introduced or withdrawn by owners		365							365
i. Capital introduced by owners									
ii. Amount of shares-based payment recorded in owner's equity									
iii. Others		365							365
(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					24				24
i. Extracts of this period					65				65
ii. Usage of this period					(41)				(41)
(6) Others									
4. Balance as of December 31, 2015	7,235	31,565		18	54	3,570		969	43,411

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

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**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**

# Statement of Changes in Shareholders' Equity (Continued)

As of December 31, 2015 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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

The notes to the financial statements of page 135 to 253 are the components of the annual financial report.

Financial statements from 119 to 134 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**

# Notes to the Financial Statements

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

## 1. PROFILE OF THE COMPANY

Angang Steel Company Limited (abbreviated as the Company) was formally established on May 8, 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 March 30, 2016.

There are 19 subsidiaries within the scope of the consolidation, please refer to Note 8 interests in other entities, and of which 2 subsidiaries are newly established and 1 subsidiary is reduced compared with last year, please refer to Note 7 Changes in combination scope.

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

## 2. BASIC PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group are prepared on the assumption of going concern principle based on the actual transactions and events, and prepared in accordance with the Basic Standard and 41 specific standards of the Accounting Standards for Business Enterprises (abbreviated as ASBE) (Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on February 15, 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 2015.

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 December 31, 2015, the financial performance and cash flow of the Group for the year. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of “Regulation on disclosure of information of public listed companies, No. 15: General Requirements for Financial Reports, revised by the China Securities Regulatory Commission (CSRC) in 2015.



# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

## **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**

A normal operating cycle starts from purchasing the assets used to produce, and ends when cash or equivalent is realized. It's the Group's practice to set an operating cycle as 12 months, which is also the standard classification criteria for status of liquidity of both assets and liabilities.

### **3. Recording currency**

The recording currency of the Group is RMB, which is the currency of the primary economic environment in which the Group operate. The financial statements of the Group are presented in RMB.

### **4. Accounting treatment of business combinations**

Business combinations represent the consolidation of the transactions and events of two or more individual enterprises. Business combinations can be classified as business combination under common control and business combination not under common control.

#### **(1) The business combinations under common control**

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and on (in) which the control is not transitory. For business combination under common control, the party obtains the control of the other parties at the combination date is the acquiring party, other parties involve in the business combination are the parties being acquired. The combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### (1) The business combinations under common control (*Continued*)

The assets and liabilities are obtained by the acquirer in a business combination shall be 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.

Expenses that are directly attributable to business combination are expense in the profit and loss at the period incurred.

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

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not under common control, the party which obtains the control of the other parties at the purchase date is the acquirer, and other parties involve in the business combination are the acquirees. The “acquisition date” refers to the date on which the acquirer actually obtains the control of the acquirees.

For business combinations not under common control, the combination cost is the fair value of consideration paid including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date. 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

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

### 5. Methods for preparation of consolidated financial statements

#### (1) Recognition principle of consolidated scope

The consolidated scope of consolidated financial statements is determined based on the concept of control. Control is the power the Company has over the investee(s), that the Company enjoys variable return on investment by taking part in the investee's operating activities, and is able to affect the amount of return by using such power. The scope of consolidation includes the company and all of its subsidiaries. Subsidiaries are the entities controlled by the company.

The Company will re-evaluate the definition once any relative element change due to facts or circumstances.

#### (2) Preparation of consolidated financial statements

Subsidiaries are consolidated from the date on which the company obtains control of their net assets and operating policies and are deconsolidated from the date that such control ceases. For subsidiaries being disposed, the operating results and cash flows prior to the date of disposal are included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination under common control, their operating results and cash flows from the date of commencement of the accounting period in which the combination occurred to the date of combination are included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated balance sheet would be restated.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

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

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

The portion of a subsidiary's equity and the net profits or losses that is not attributable to the Company, shall be recognized as "Minority Interests" and "profits and losses 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 excess is allocated against the 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.

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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

- (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.

### **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 (usually mature with three months since acquisition) investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

### 8. Foreign currency transactions and the translation of foreign currency financial statement

#### (1) 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.

#### (2) 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 exchange differences arising from these translations are recognised in profit or loss for the current year, except:

- (i) 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;
- (ii) exchange difference arising from changes in carrying amount of available for sale foreign-currency monetary items other than changes in amortized cost, which is recognized in other comprehensive income.

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

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

## 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. The financial asset or liability is measured by fair value when it's initially recognized. 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 and liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

#### (1) 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.

#### (2) 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

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

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

- A. The purpose of acquiring the financial assets is principally for selling them in the near future;
- B. 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;
- C. 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.

- A. 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;
- B. 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.



# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### (2) 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.

##### (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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

##### (iv) Available-for-sale financial assets

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

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

Available-for-sale financial assets shall be subsequently measured at fair value. The profit or loss arising from the changes in the fair value 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### (3) 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

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

- (i) The contractual rights to receive the cash flows from the financial asset are terminated;
- (ii) The financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transfer;
- (iii) 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

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

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

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

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.

#### (5) 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### (5) 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.

#### (6) 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.

#### (7) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value on contract signature date. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives designated as a hedging instrument which is highly efficient, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

### 10. Receivables

Receivables include accounts receivable and other receivables, etc.

#### (1) Recognition standards for bad debts

Bad debt provision is accrued when evidence shows impairment on receivables during the Group's checkup of book values of receivables on balance sheet date:

- (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.

#### (2) 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.

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

#### (4) 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

### 11. Inventories

(1) 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.

(2) Pricing of inventories

Inventories are recorded at actual costs on acquisition, 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.

(3) Measurement of net realizable value of inventory and measurement of provision for impairment of inventories

The net realizable value refers to the selling price deducted by the estimated cost before completion, estimated selling expense and relevant taxes in the daily operations. The assessment on the net realizable value of inventories shall be made based on concrete evidence obtained, the purpose of holding inventories and the effect 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) Physical inventory at fixed periods is taken under perpetual inventory system.

(5) 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.



# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

### 12. Long-term equity investment

Long-term equity investment refers to those with which the Company exercise single or joint control over the invested entity, or has significant influence on its operation. 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.

#### (1) 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.

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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

- (2) 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.

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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### (2) 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.

##### (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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

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

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

Under other means of disposal of long-term equity investment, the difference between the carrying value of disposed investment and the consideration received shall be recognized in the current profit or loss.

If the equity method is still adopted after the disposal of the rest equity, it shall adopt the same accounting policies 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.

### 13. Fixed assets

#### (1) 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.

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

(2) Depreciation method of fixed assets

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

Category of fixed assets	Useful lives	Estimate residual rate (%)	Annual depreciation rate (%)
Plants and buildings	40 years	3–5	2.375–2.425
Machinery and equipment	17–24 years	3–5	3.958–5.706
Other fixed assets	5–12 years	3–5	7.917–19.40

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

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

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

(4) 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### (5) Other explanations

Subsequent expenditure relating to a fixed asset shall be capitalized if the economic benefits related to the fixed asset are likely to flow into the Group and the cost could be measured reliably and the carrying value of replaced parts shall be derecognized. Subsequent expenditures excluding fore-mentioned shall be recorded into current profit and loss.

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

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

### **14. Construction in progress**

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

Method of impairment test and measurement of the provision of construction in progress, refer to Note 4(17).

### **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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

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

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

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

### 16. Intangible assets

#### (1) Intangible assets

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

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

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

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### (1) Intangible assets (*Continued*)

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.

#### (2) 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.



# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

- (3) 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”.

### **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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

### 18. Projected liabilities

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

- (1) The Group has a practical obligation as a result of the past event;
- (2) probable economic benefit will flow out to settle the obligation and;
- (3) 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

- (1) Revenue from sale of goods

The revenue from sales of 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 associated with the transaction 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

### 19. Revenue (*Continued*)

#### (2) 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) The amount of revenue could be measured reliably; (ii) relevant economic benefit is likely to flow into the entity; (iii) The percentage of completion of service could be measured reliably; (iv) cost occurred or will occur related to the transaction can be measured reliably.

If the outcome of rendering of services 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 service revenue 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.

#### (3) Royalty revenue

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

#### (4) Interest revenue

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

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

### 20. Government grants

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

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

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

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

- (1) Receivable amount shall be confirmed by the documents issued by relevant government departments, or be reasonably calculated according to relevant document without significant uncertainty;
- (2) 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;
- (3) It is reasonable assure that government grant, scheduled in the relevant government documents and guaranteed by the fiscal budget, could be received on schedule.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

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

### **21. Deferred income tax asset and liability**

#### (1) 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 under applicable tax laws. 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.

#### (2) 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 liability 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### (2) 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.

#### (3) Income tax expenses

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

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

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

### 22. Leases

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

#### (1) 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.

#### (2) 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.

#### (3) 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

### 22. Leases (*Continued*)

#### (4) 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, etc. 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.

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.



# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

### 24. Changes of significant accounting policies and estimates

- (1) There is no changes in accounting policies for the current year.
- (2) The changes of accounting estimates.

Relevant department of the Group has re-evaluated and approved the actual useful lives of each class of fixed assets based on the actual condition thereof, and decided to adjust the depreciation period of its fixed assets since November 1, 2015 upon the approval obtained at the 42th EGM of the Company, details of which are as follows:

Class of Fixed Assets	Before Change		After Change	
	Estimated useful life (year)	Depreciation rate per year (%)	Estimated useful life (year)	Depreciation rate per year (%)
Conductor facilities	19	5.00	24	3.96
Machinery facilities	19	5.00	24	3.96
Power equipment	12	7.92	17	5.59
Transportation facilities	10	9.50	12	7.92

This change of accounting estimates posed no effect on the business scope of the Group, but led to a decrease of RMB100 million in the depreciation of fixed assets and an increase of RMB75 million in the shareholders' equity and net profit of the Company in 2015.

### 25. Corrections of prior year errors

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

### 26. Critical accounting judgments and estimates

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

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

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

(1) 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.

(2) 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.

(3) 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### (4) Impairment of 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.

#### (5) 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.

#### (6) 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.

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

(7) 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.

(8) 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.

(9) Projected liabilities

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

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

## 5. TAXATION

### Main taxes and tax rates

Type of tax	Tax rates and base
Value added tax (“VAT”)	Output VAT is calculated based on taxable income, according to the applicable tax rate, and deducting the VAT from the difference after deduction of input tax in current period
Business tax	Taxable income: 3%, 5%
City construction and maintenance tax Educational surcharge and local educational surcharge	Paid circulating tax: 7%, 3%, 2%
Enterprise income tax	Taxable income: 25%
Custom duty	FOB: 5% – 15%

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, the opening balance refers to the balance as of January 1, 2015, and the closing balance refers to the balance as of December 31, 2015, the current year refers to the year ended December 31, 2014, last year refers to the year ended December 31, 2014.

### 1. Cash at bank or on hand

Items	Closing balance	Opening balance
Cash	1	1
Bank deposits	3,564	1,696
Other cash balance	36	15
Total	3,601	1,712

### 2. Financial assets at fair value through profit or loss

Items	Closing balance	Opening balance
Derivative financial assets	4	
Total	4	

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 3. Notes receivable

(1) Classification of notes receivable

Items	Closing balance	Opening balance
Bank Acceptance Notes	8,272	8,607
Commercial Acceptance Notes	39	
<b>Total</b>	<b>8,311</b>	<b>8,607</b>

(2) As of December 31, 2015 the largest amount of the top five notes receivable which had been pledged are presented as follows:

Issuer	Issuing date	Maturity date	Closing balance
Zhejiang Materials Industry International Co., Ltd.	2015.11.16– 2015.12.15	2016.5.16– 2016.6.15	55
Zhejiang Metal Products Group Co., Ltd.	2015.11.17– 2015.12.15	2016.5.15– 2016.6.15	54
Hangzhou heat group limited by share Ltd	2015.11.20– 2015.12.17	2016.5.15– 2016.6.17	41
Northeast China Railway Materials Group Co., Ltd.	2015.11.3– 2015.11.25	2016.5.3– 2016.5.25	38
Zhuhai GREE electric Limited by Share Ltd	2015.11.6– 2015.12.15	2016.5.10– 2016.6.15	32
<b>Total</b>			<b>220</b>

*Note:* The group has applied for the 547 million-yuan notes payable this year by pledging 597 million-yuan notes receivable to the shanghai pudong development bank whose pledge deadline is December 2015 to May 2016.

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 3. Notes receivable (*Continued*)

- (3) As of December 31, 2015 the notes receivable of the Group which had been endorsed but not yet expired as at the balance sheet date are presented as follows:

Items	Amount of termination confirmation	Amount of non-termination confirmation
Bank Acceptance Notes	6,419	
Total	6,419	

- (4) No notes receivable were transferred to accounts receivable due to insolvency of the issuer as of December 31, 2015.

#### 4. Accounts receivable

- (1) 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	741	65		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	383	35	1	100
Total	1,124	100	1	100

## Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 4. Accounts receivable (Continued)

##### (1) Classification of Accounts Receivable (Continued)

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>

##### (2) Accounts Receivable classified by aging

Aging	Closing balance			
	Book Value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,042	93		
1 to 2 years	78	7		
2 to 3 years	3			
Over 3 years	1		1	100
<b>Total</b>	<b>1,124</b>	<b>100</b>	<b>1</b>	<b>100</b>



## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 4. Accounts receivable (*Continued*)

(2) Accounts Receivable classified by aging (*Continued*)

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
Total	1,836	100	1	100

(3) Bad debt provision at the end of the year

By judgment of the management, solvency of the debtors is reliable, so, majority of accounts receivable will be recovered and bad debt provision rate is relatively low.

(4) The condition of accounts receivable of the top five debtors by the balances at the end of the year

The accounts receivable balance of top five debtors is RMB544 million in total, accounting for 48% of the balance at the end of the year, and the bad debt provision for the top five debtors was 0.

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 5. Other receivables

##### (1) 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	14	29		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	35	71		
<b>Total</b>	<b>49</b>	<b>100</b>		

Type	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Other receivables with amounts that are individually significant and subject to separate assessment for bad debts provision				
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	18	100		
<b>Total</b>	<b>18</b>	<b>100</b>		

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 5. Other receivables (*Continued*)

- (2) Classification of other receivable according to the nature

Other accounts receivable	Closing book value	Opening book value
Petty cash	22	6
Cash deposit	14	
Other	13	12
Total	49	18

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

By judgment of the management, solvency of the debtors is reliable, so, majority of accounts receivable will be recovered and bad debt provision rate is relatively low.

#### 6. Prepayments

- (1) Prepayment classified by aging

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	1,968	79	2,455	69
1 to 2 years	227	9	1,054	29
2 to 3 years	252	10	26	1
Over 3 years	46	2	52	1
Total	2,493	100	3,587	100

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

## Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 6. Prepayments (Continued)

- (2) The condition of prepayment of the top five debtors by the balances at the end of the year

The prepayment balance of the top five debtors is RMB2,340 million in total, accounting for 94% of the prepayment balance at the end of the year.

#### 7. Dividends receivable

The investee company	Closing balance	Opening balance
WISDRI Engineering and Research Incorporation Limited (“WISDRI”)	6	
Total	6	

#### 8. Inventory

- (1) Classification of inventory

Items	Closing balance		
	Book value	Inventory falling price reserves	Carrying value
Raw materials	868	94	774
Work in progress	2,262	119	2,143
Finished goods	2,985	395	2,590
Revolving materials	901		901
Spare parts	1,516		1,516
Materials in transit	79		79
Work in progress – outsourced	5		5
Total	8,616	608	8,008

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 8. Inventory (*Continued*)

#### (1) Classification of inventory (*Continued*)

Types	Opening balance		
	Book value	Inventory falling price reserves	Carrying value
Raw materials	1,979	1	1,978
Work in progress	2,902	339	2,563
Finished goods	3,825	206	3,619
Revolving materials	968		968
Spare parts	1,586		1,586
Materials in transit	145		145
Work in progress– outsourced	6		6
<b>Total</b>	<b>11,411</b>	<b>546</b>	<b>10,865</b>

#### (2) Changes in Inventory falling price reserves

Items	Opening balance	Increment of the year		Decrement of the year		Closing balance
		Current account	Combined increase	Written back	Written off	
Raw materials	1	219			126	94
Work in progress	339	499	1		720	119
Finished goods	206	1151			962	395
<b>Total</b>	<b>546</b>	<b>1,869</b>	<b>1</b>		<b>1,808</b>	<b>608</b>

#### (3) 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 year.
- (ii) Provision for inventory transferred to current year profit and losses for the reason that the inventory was sold, of which provision has been accrued last year.

## Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Available-for-sale financial assets

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

Item	Closing value	Opening value
Listed investment	62	96
including: Hong Kong		
Mainland	62	96
Non-listed investment	787	773
Total	849	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:	849		849	869		869
Measured at fair value	62		62	96		96
Measured at cost	787		787	773		773
Total	849		849	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	62
Changes in fair value amounts accumulated through other comprehensive income	18
Provision for impairment	

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 9. 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 & Distribution Co., Ltd. (hereinafter referred to as “Changsha Steel”)		14		14
<b>Total</b>	<b>773</b>	<b>14</b>		<b>787</b>

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 9. Available-for-sale financial assets (*Continued*)

#### (4) Available-for-sale financial assets measured at cost (*Continued*)

The invested entity	Impairment Provision			Closing value	proportion of shareholding (%)	Cash bonuses in this year
	Opening value	increase	decrease			
WISDRI					6	6
Tianjin Tiantie					5	
Longmay Group					1	
Falan Packing					15	2
Dalian Shipyard					15	
China Shipbuilding					10	
Dalian Steel					15	
Guoqi Lightweight					7	
Changsha Steel					14	
Total						8

### 10. 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			212	
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			6	
ANSC-TKS Changchun Steel Logistics Co., Ltd. ("TKAS-SSC")	78	12		5	



# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

#### Details of long-term equity investments (*Continued*)

The invested entity	Opening value	Increase/Decrease		Investment income under The equity method	Other comprehensive Income adjustment
		Increase	Decrease		
Anshan Iron and steel high strength steel for Automobile Co., Ltd. of Chongqing ("Chongqing automobile steel")	50		(50)	2	
Minor total	1,730	12	(50)	226	
<b>b. Associated venture</b>					
ANSC-TKS (Changchun) Tailored Blanks Ltd ("TKAS")	101	116		12	
Angang Entity Group Packing Steel Strip Company Limited ("Entity Packing")	5		(5)		
Angang Group Finance Co., Ltd. ("Angang Finance")	1,130			111	4
Anshan Angang Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder")					
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	70			(10)	
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	98			(1)	
Shanghai chemical Po Agel Ecommerce Ltd ("Shanghai chemical")	1				
Guangzhou Bao Steel Processing Co. ("Guangzhou steel")		57		2	
Subtotal	1,405	173	(5)	114	4
Total	3,135	185	(55)	340	4

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

#### Details of long-term equity investments (*Continued*)

The invested entity	Increase/Decrease				Closing Value	Closing value of the provision For impairment
	Other equity changes	Declaration of cash dividends or profits	Provision for impairment loss	Other		
<b>1. Cooperative enterprise</b>						
ANSC		(650)		45	891	
ANSC – Dachuan					227	
Changchun FAM		(5)			93	
AS-SSC		(26)		(69)		
Chongqing automobile steel		(2)				
Subtotal		(683)		(24)	1,211	
<b>2. Associated enterprise</b>						
AS-SSC		(54)		(175)		
Entity Packing						
Angang Finance					1,245	
Iron Oxide Powder						
Nansha Logistical					60	
AISSG					97	
Shanghai chemical					1	
Guangzhou steel					59	
Subtotal		(54)		(175)	1,462	
Total		(737)		(199)	2,673	

*Note:* The company renamed TKAS-SSC and TKAS to Angang Steel Processing Distribution (Changchun) Co., LTD. (“AS-SSC”) and Angang Laser Tailor-welded Plate (Changchun) Co., LTD. (“AS (Changchun) Tailore”) after merging the remaining stake of TKAS-SSC and TKAS in September 2015.

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 11. Fixed assets

#### (1) Analysis of fixed assets

Item	Houses and buildings	Machineries and equipment	Others	Total
<b>① Cost</b>				
The balance at the beginning of the year	26,007	63,954	4,733	94,694
Increase:				
Purchase	1,954	6,447	445	8,846
Transform from projects under construction	253	(207)	47	93
Enterprise merger	1,592	6,450	379	8,421
Decrease:				
Dispose or scrap	30	106	21	157
The balance at the end of the year	27,931	70,295	5,157	103,383
<b>② Accumulated depreciation</b>				
The balance at the beginning of the year	8,215	36,531	3,791	48,537
Increase:				
Count for depreciation	673	2,907	343	3,923
Enterprise merger	646	2,792	329	3,767
Enterprise merger	27	115	14	156
Decrease:				
Dispose or scrap	14	89	21	124
Dispose or scrap	14	89	21	124
The balance at the end of the year	8,874	39,349	4,113	52,336
<b>③ Provision for impairment</b>				
The balance at the beginning of the year	6	26	3	35
Increase:				
Decrease:			2	2
Dispose or scrap			2	2
The balance at the end of the year	6	26	1	33
<b>④ Book value</b>				
The closing book value	19,051	30,920	1,043	51,014
The opening book value	17,786	27,397	939	46,122

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 11. Fixed assets (*Continued*)

(2) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying value	Notes
Houses and buildings	2	1		1	
Machineries and Equipment	99	55	5	39	
Others	3	2		1	
<b>Total</b>	<b>104</b>	<b>58</b>	<b>5</b>	<b>41</b>	

(3) The Group had no financial leased-in fixed asset as of December 31, 2015.

(4) Fixed assets held under financial leases

Items	Closing carrying value	Opening carrying value
Buildings and Plants	30	33
Machineries and Equipment	49	56
<b>Total</b>	<b>79</b>	<b>89</b>

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 12. Constructions in progress

#### (1) 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	237		237	3,112		3,112
Cool rolling project	511		511	14		14
Guangzhou automobile project	478		478	41		41
Dalian Project	144		144	126		126
Guangzhou Project	79		79	48		48
Zhengzhou project	69		69	3		3
Wuhan Project				139		139
Shenyang Project				119		119
Hefei Project				1		1
Cold rolled high strength steel and auxiliary reconstruction project	227		227	21		21
The three area of the converter workshop environmental renovation project	162		162	503		503
60 thousand m <sup>3</sup> /h oxygen generating unit project	99		99	12		12
4300 thick plate line new pre straightening machine and cold straightening machine project	64		64	14		14
Two raw material system reconstruction project	42		42			
Others	740		740	1,780		1,780
<b>Total</b>	<b>2,852</b>		<b>2,852</b>	<b>5,933</b>		<b>5,933</b>

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 12. Constructions in progress (*Continued*)

##### (2) Changes in major constructions in progress

Items	Budget	Opening balance	Increase of the period	Transferred into fixed assets	Other decrease	Closing balance
Bayuquan Project	3,258	3,112	224	3,097	2	237
Cool rolling project	1,470	14	497			511
Guangzhou automobile project	1,145	41	437			478
Dalian Project	246	126	18			144
Guangzhou Project	130	48	56	25		79
Zhengzhou project	153	3	66			69
Wuhan Project	227	139	21	160		
Shenyang Project	165	119	22	141		
Hefei Project	112	1		1		
Cold rolled high strength steel and auxiliary reconstruction project	299	21	206			227
The three area of the converter workshop environmental renovation project	1,000	503	451	792		162
60 thousand m <sup>3</sup> /h oxygen generating unit project	387	12	87			99
4300 thick plate line new pre straightening machine and cold straightening machine project	325	14	50			64
Two raw material system reconstruction project	129		42			42
Others	15,365	1,780	3,166	4,205	1	740
<b>Total</b>		<b>5,933</b>	<b>5,343</b>	<b>8,421</b>	<b>3</b>	<b>2,852</b>

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 12. Constructions in progress (*Continued*)

#### (2) 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	696	129	5.35	88	88	Self-financing,
Cool rolling project	39	29	4.41	35	35	Self-financing, Borrowings
Guangzhou automobile project	24	24	4.73	42	42	Self-financing,
Dalian Project	(1)	59	59			Self-financing
Guangzhou Project	3	3	6.00	79	79	Self-financing
Zhengzhou project	45	45				Self-financing
Wuhan Project	7	2	4.91	100	100	Self-financing,
Shenyang Project	1	1	5.6	86	86	Self-financing
Hefei Project	1			87	87	
Cold rolled high strength steel and auxiliary reconstruction project	7	7	5.1	74	74	Self-financing
The three area of the converter workshop environmental renovation project	29	14	5.1	92	92	Self-financing,
60 thousand m <sup>3</sup> /h oxygen  generating unit project	7	6	5.1	24	24	Self-financing,
4300 thick plate line new pre straightening machine and cold straightening machine project				20	20	Self-financing
Two raw material system reconstruction project	3			76	76	Self-financing,
Others	849	85	5.1	58	58	Self-financing,
<b>Total</b>	<b>1,666</b>	<b>299</b>				

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

- (3) As of December 31, 2015, there was no construction in progress whose carrying value was higher than its realizable value.

# Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 13. Construction materials

Items	Closing value	Opening value
Special material		1
Special equipment	6	37
<b>Total</b>	<b>6</b>	<b>38</b>

### 14. Intangible assets

Item	Land use right	Non-patented technology	software	trademark right	Total
<b>1. Cost</b>					
(1) The balance at the beginning of the year	7,552	32	48		7,632
(2) Increase:	8	11	3	4	26
(a) Purchase	7		3		10
(b) Internal R&D					
(c) Enterprise merger	1	11		4	16
(3) Decrease:					
(a) Disposition					
(4) The balance at the end of the year	7,560	43	51	4	7,658
<b>2. Accumulative amortization</b>					
(1) The balance at the beginning of the year	1,324	32	42		1,398
(2) Increase:	154	11	5	4	174
(a) Counting and Drawing	153		5		158
(b) Enterprise merger	1	11		4	16
(3) Decrease:					
(a) Disposition					
(4) The balance at the end of the year	1,478	43	47	4	1,572
<b>3. Provision for impairment</b>					
(1) The balance at the beginning of the year					
(2) Increase:					
(a) Counting and Drawing					
(3) Decrease:					
(a) Disposition					
(4) The balance at the end of the year					
<b>4. Book value</b>					
(1) The closing book value	6,082		4		6,086
(2) The opening book value	6,228		6		6,234



## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 15. Deferred income tax assets/deferred income tax liabilities

##### (1) 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	160	642	145	582
Deductible loss	1,130	4,519	1,886	7,548
Salaries payable	24	96	44	177
Accumulated depreciation of fixed assets	9	35	5	19
Unrealized inter-group profit	13	50	53	211
Government grants	172	689	189	755
Termination benefits		2	1	3
Employee training expenses	12	48	13	52
Others	1	4		
<b>Total</b>	<b>1,521</b>	<b>6,085</b>	<b>2,336</b>	<b>9,347</b>

##### (2) 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	6	24	4	15
Capitalized borrowing costs	13	51	16	65
Internal unrealized trading losses	15	62		
<b>Total</b>	<b>34</b>	<b>137</b>	<b>20</b>	<b>80</b>

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 15. Deferred income tax assets/deferred income tax liabilities (*Continued*)

- (3) Deductible loss has not been recognized as deferred tax assets

Items	Closing balance	Opening balance
Deductible loss	8,813	1,776

- (4) Deductible loss has not been recognized as deferred tax assets which is due to next year

Items	Closing balance	Opening balance
2015		406
2016	2,833	1,361
2017	5,860	
2018		
2019	9	9
2020	111	
<b>Total</b>	<b>8,813</b>	<b>1,776</b>

#### 16. Short-term loans

Items	Closing balance	Opening balance
Guaranteed loans	3,423	5,998
Credit loans	12,896	8,674
<b>Total</b>	<b>16,319</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.

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 17. Notes payable

Types of notes	Closing balance	Opening balance
Bank acceptances	3,451	356
Trade acceptances	540	
Total	3,991	356

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

#### 18. Account payables

##### (1) Classification of account payables by nature

Types of notes	Closing balance	Opening balance
Account payables for purchasing	5,208	7,671
Construction payables	379	491
Operation expenses on supporting production	104	59
Freight	37	15
Others	71	53
Total	5,799	8,289

##### (2) Significant account payables aging over 1 year

Creditor	Balance owed	Aging
Tangyuan Tianyu Coal & Coke Energy Co., Ltd.	43	3-4 years
Total	43	

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 18. Account payables (*Continued*)

##### (3) Aging of account payables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	5,733	99	8,202	100
1 to 2 years	7		1	
2 to 3 years	1		43	
Over 3 years	58	1	43	
<b>Total</b>	<b>5,799</b>	<b>100</b>	<b>8,289</b>	<b>100</b>

#### 19. Advances from customers

##### (1) Classification of advances from customers by nature

Types of notes	Closing balance	Opening balance
Selling of products	2,830	3,332
Others	4	
<b>Total</b>	<b>2,834</b>	<b>3,332</b>

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

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 20. Employee benefits payable

(1) The situation about employee benefits payable

Item	Opening value	Increase	Decrease	Closing value
A. Short-term remuneration	226	3,368	3,428	166
B. After-service benefits - Defined Contribution Plans		680	680	
C. Termination benefits	2	44	45	1
D. Other benefits due within one year				
E. Others				
Total	228	4,092	4,153	167

(2) 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	2,333	2,388	115
2. Staff welfare		290	290	
3. Social insurance		255	255	
Including: Medical insurance		222	222	
Staff and workers' injury insurance		29	29	
Maternity insurance				
Others		4	4	
4. Housing fund		364	364	
5. Labor union fee and staff training fee	56	52	57	51
6. Short paid absences				
7. The short-term profit sharing plan				
8. Others		74	74	
Total	226	3,368	3,428	166

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 20 Employee benefits payable (*Continued*)

##### (3) Defined Contribution Plans

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
1. Basic pension insurance		494	494	
2. Unemployment insurance		25	25	
3. Occupational pension contribution		161	161	
<b>Total</b>		<b>680</b>	<b>680</b>	

#### 21. Taxes and surcharges payable

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
VAT	(5)	825	905	(85)
Business tax	1	5	3	3
Resource tax	1	3	3	1
Corporate income tax	(15)	12	(10)	7
City maintenance and construction tax	20	126	140	6
Property tax	9	121	120	10
Land use tax	24	299	297	26
Individual income tax	5	50	49	6
Educational surcharges	14	90	100	4
Others	22	57	37	42
<b>Total</b>	<b>76</b>	<b>1,588</b>	<b>1,644</b>	<b>20</b>

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 22. Interests payable

<b>Types of notes</b>	<b>Closing balance</b>	Opening balance
Staging interest maturity of long-term borrowings	<b>10</b>	
Interest for corporate bonds	<b>171</b>	203
Total	<b>181</b>	203

#### 23. Other payables

(1) Classification of other payables by nature

<b>Types of notes</b>	<b>Closing balance</b>	Opening balance
Construction payables	<b>767</b>	882
Quality assurance -project/spare parts	<b>724</b>	637
Freight charges	<b>72</b>	68
Deposit for steel shelves	<b>62</b>	30
Performance assurance	<b>110</b>	105
Others	<b>371</b>	172
Total	<b>2,106</b>	1,894

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 23. Other payables (*Continued*)

(2) 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	139	Project quality assurance	No
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	32	Project quality assurance	No
Acre Coking & Refractory Engineering Technology Corporation	28	Project quality assurance	No
Anshan Iron and Steel Group Co. Ltd.	26	Project quality assurance	No
China Sanye Group Co., LTD	18	Project quality assurance	No
Anshan Iron and Steel Group Automation Company	21	Project quality assurance	No
Anshan Mining Construction Co. Ltd.	14	Project quality assurance	No
Others	278		No
<b>Total</b>	<b>556</b>		

#### 24. Non-current liabilities due within 1 year

Long-term liabilities due within 1 year

Types of notes	Closing balance	Opening balance
Long-term loans due within 1 year ( <i>Note ((26))</i> )	592	1,701
Bond payable due within 1 year ( <i>Note ((27))</i> )	3,995	
<b>Total</b>	<b>4,587</b>	1,701



# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 25. Other current liabilities

Types of notes	Closing balance	Opening balance
Short-term financing bonds	7,000	6,000
Total	7,000	6,000

### 26. Long-term loans

#### (1) Classification of Long-term loans

Types of notes	Closing balance	Opening balance
Guaranteed loans	575	51
Credit loans	979	3,021
Subtotal	1,554	3,072
Less: Long-term loans due within 1 year (Note 6(24))	592	1,701
Total	962	1,371

Note: Guarantee loans of long-term loans, guaranteed by Angang group and Japan Kobe Steel Company, were mainly used to replenish working capital and for project construction. The interest rate of Long-term loan range of 4.289% – 6.4%.

#### (2) Classification of Long-term loans by the maturity date

Items	Closing date	Opening date
Within 1 year	592	1,701
1 year to 2 year (include 2 year)	60	612
2 year to 3 year (include 3 year)	358	738
3 year to 5 year (include 5 year)	544	21
Total	1,554	3,072

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 27. Bonds payable

(1) Bonds payable

Items	Closing date	Opening date
Medium term note	3,995	3,983
Less: Ending balance due within one year ( <i>Note6 (24)</i> )	3,995	
Total		3,983

(2) Increase or decrease in bonds payable

Type of bonds	Par value	Issuance date	Bond duration	Issuance amount	Opening balance
Medium term note	4,000	22 May 2013	3 years	4,000	3,983
Subtotal	4,000			4,000	3,983
Total					3,983

Type of bonds	Accrued interest at face value	Amortization with the Premium or Discount of Bonds	Closing balance
Medium term note		12	3,995
subtotal		12	3,995
Less: ending balance due within one year ( <i>Note6 (24)</i> )		12	3,995
Total			

## Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 28. Long-term employee benefits payable

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

#### 29. Deferred income

Item	Opening date	Increase	Decrease	Closing date	Cause of formation
Government grants	969	68	123	914	
Total	969	68	123	914	–

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

Liabilities	Opening date	New grants	Belong to nonbusiness – income	Other Changes	Closing date	Associated with the asset/income
Bayuquan 1450 cold-rolled project	200				200	asset
265 m <sup>2</sup> sintering machine flue gas desulfurization	83	9	9		83	asset
Shenyang Steel plus the overall relocation project	151		13		138	asset
5,500MM defense heavy plate steel project	74		17		57	asset
The support funds for Guangzhou automotive steel project	63	24			87	asset
Environmental funds	114		15		99	asset
ESR	37		7		30	asset
Two sintering flue gas desulfurization	48		6		42	asset
Industrial comprehensive demonstration project of low carbon production technology in metallurgical plant	28		1		27	asset
Others	171	35	55		151	asset
Total	969	68	123		914	

# Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 30. Share capital

	Opening balance		Changes of the period (+, -)					Closing balance	
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	Proportion (%)
2015									
Shares unrestricted on sale									
a. Ordinary A shares	6,149	85						6,149	85
b. Foreign shares listed overseas ("H shares")	1,086	15						1,086	15
Total	7,235	100						7,235	100

	Opening balance		Changes of the period (+, -)					Closing balance	
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	Proportion (%)
2014									
Shares unrestricted on sale									
a. Ordinary A shares	6,149	85						6,149	85
b. Foreign shares listed overseas ("H shares")	1,086	15						1,086	15
Total	7,235	100						7,235	100

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 31. Capital reserve

2015	Opening balance	Increase of the year	Decrease of the year	Closing balance
Share premium	31,144			31,144
Other capital reserve ( <i>Note</i> )	10	365		375
<b>Total</b>	<b>31,154</b>	<b>365</b>		<b>31,519</b>

*Note:* Capital appropriation transfers in capital reserve of 365 million yuan.

2014	Opening balance	Increase of the year	Decrease of the year	Closing balance
Share premium	31,144			31,144
Other capital reserve ( <i>Note</i> )	11		1	10
<b>Total</b>	<b>31,155</b>		<b>1</b>	<b>31,154</b>

*Note:* The reason for the capital reserve reduced 1 million is that the audited company enjoyed other changes in its associates' net assets.

## Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 32. Other comprehensive income

OCI to be reclassified into Profit & Loss

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 year	The date of last year	The date of this year	The date of last year	The date of this year	The date of last year
	The balance at the beginning of the year	11	(19)	(4)		7
Amount for the year before tax	17	40	4	(4)	21	36
Minus: Transform into profit or loss from other comprehensive income	6				6	
Minus: Income tax expenses	4	10			4	10
The after-tax amount attributed to the parent company	7	30	4	(4)	11	26
The after-tax amount attributed to minority shareholders						
The balance at the end of the year	18	11		(4)	18	7

#### 33. Special reserve

2015	Opening balance	Increase of the year	Decrease of the year	Closing balance
Safety production expenses	30	65	41	54
Total	30	65	41	54

2014	Opening balance	Increase of the year	Decrease of the year	Closing balance
Safety production expenses	21	78	69	30
Total	21	78	69	30

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 34. Surplus reserve

2015	Opening balance	Increase of the year	Decrease of the year	Closing balance
Statutory surplus reserve	3,580			3,580
<b>Total</b>	<b>3,580</b>			<b>3,580</b>
2014	Opening balance	Increase of the year	Decrease of the year	Closing balance
Statutory surplus reserve	3,580			3,580
<b>Total</b>	<b>3,580</b>			<b>3,580</b>

#### 35. Undistributed profits

Items	This year	Last year
Opening balance		
Increase of the year	5,787	5,054
Including: Net profit transferred this year	(4,593)	928
Other adjustment factors	(4,593)	928
Decrease of the year		
Including: Extraction of surplus reserve this year	326	195
Extraction of general risk provisions this year		
Distribution of cash dividend this year	326	195
Conversed capital		
Other decreases		
<b>Closing balance</b>	<b>868</b>	<b>5,787</b>

*Note:* On June 3, 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 December 31, 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.

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 36. Operating revenue and operating cost

<b>Items</b>	<b>This year</b>	Last year
Prime operating revenue	<b>52,686</b>	73,809
Other operating revenue	<b>73</b>	237
<b>Total</b>	<b>52,759</b>	74,046
Operating cost for main business	<b>49,396</b>	65,374
Other operating cost	<b>73</b>	116
<b>Total</b>	<b>49,469</b>	65,490

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

#### 37. Business taxes and surcharges

<b>Items</b>	<b>This year</b>	Last year
Resources tax and business tax	<b>8</b>	5
City maintenance and construction tax	<b>126</b>	121
Educational surcharge and local educational surcharge	<b>90</b>	87
<b>Total</b>	<b>224</b>	213

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



## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 38. Marketing expenses

Items	This year	Last year
Delivery expense	1,393	1,260
Packing expense	391	486
Sales and service expense	199	169
Employee benefits	125	136
Warehouse storage expense	26	11
Agency fee for commissioned sales	15	9
Insurance expense	4	5
Others	158	142
Total	2,311	2,218

#### 39. Administrative expenses

Items	This year	Last year
Employee benefits	566	488
Taxes	460	440
Amortization of intangible assets	158	155
Assistance for production expense	93	100
Research and development costs	68	81
Depreciation	67	76
Sewage fee	63	77
Computer maintenance expense	27	30
Security and firefighting expense	65	78
Afforestation fees	34	45
Repair and maintenance	18	57
Audit fee	4	4
Others	185	219
Total	1,808	1,850

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 40. Financial expenses

Items	This year	Last year
Interest expense	1,528	1,611
Including: It has to pay off all the interests from the bank loans and other loans	911	873
The financial charges during the financial lease period		
Other interest expenditures	617	738
Less: Interest income	33	12
Less: Capitalized interest expense	299	299
Exchange gain or loss	113	(61)
Less: Capitalized exchange gain or loss		
Others	37	33
Total	1,346	1,272

#### 41. Investment income

Items	This year	Last year
Long-term equity investment income under the equity method	340	587
Investment income from disposal of long-term equity investments	(8)	
The investment income during the holding of available-for-sale financial assets	8	86
Investment income from disposal of available for sale financial assets	51	
Total	391	673

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 42. Impairment losses

Items	This year	Last year
Provision for bad debts		1
Provision for written-down of inventories	<b>1,869</b>	2,110
Total	1,869	2,111

#### 43. Profit or loss on change of fair value

The source of profit or loss on change for fair value	This year	Last year
Financial assets at fair value through profit or loss for the current period	4	
Including: Gains from changes in derivative financial instruments at fair value	4	
Financial liabilities at fair value through profit or loss for the current period		
Investment property at fair value		
Total	4	

#### 44. Non-operating revenue

Items	This year	Last year	Recorded into extraordinary gains and losses
Total gains from disposal of non-current assets	15	56	15
Including: Gains on fixed assets scrapped	15	53	15
Other gains on disposal of fixed assets		3	
Government grant (Disclosed in the below: Details of government grants)	128	101	128
Others	39	4	39
Total	182	161	182

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 44. Non-operating revenue (*Continued*)

Details of government grants:

Items	This year	Last year
R & D subsidy	34	5
Environmental rewards	51	19
Military project grants	27	74
Others	16	3
Total	128	101

#### 45. Non-operating expenses

Items	This year	Last year	Recorded into extraordinary gains and losses
Total loss on disposal of non-current assets	32	137	32
Including: Loss on fixed assets scrapped	32	137	32
Other loss on disposal of fixed assets			
Others	40	10	40
Total	72	147	72

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 46. Income tax expenses

- (1) The tabulation for income tax expenses

Items	This year	Last year
Income tax calculated according to the Tax Law and the relevant regulations	10	6
Changes on deferred income tax expenses	827	655
Total	837	665

- (2) The adjustment process for profit and income tax expenses

Items	2015
Total profit	(3,763)
The income tax expenses accumulated by statutory/applicable tax rates	(941)
Effect of different tax rates used by its subsidiaries	(15)
Adjustment of the income tax on prior periods	(88)
Impact of non-taxable income	76
Impact of non-deductible costs, expenses and losses	76
The impact of the use of deductible temporary differences which not confirmed as deferred tax assets on prior periods	28
The impact of the deductible temporary differences of the deferred tax assets or the deductible losses	28
Tax adjustment led to changes at the beginning	(60)
Deferred tax assets/liabilities balances	(60)
Super-deduction of research expense	(60)
Influence of estimated loss that can not make up for future years	1,833
others	4
Income tax expense	837

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 47. Other comprehensive income

Note: 6(32).

#### 48. Restricted assets of ownership or use rights

Items	Closing date	Reason
Notes receivable	597	Note 6(3(2))
Total	597	

#### 49. Notes to the cash flow statement

(1) Cash received from other operating activities

Items	This year	Last year
Government grants	298	137
Others	35	57
Total	333	194

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

#### 49. Notes to the cash flow statement (*Continued*)

##### (2) Cash paid for other operating activities

<b>Items</b>	<b>This year</b>	Last year
Freight fee payments for others	1,731	1,793
Agency fee for commissioned sales	19	15
Sewage fee	55	77
Computer maintenance fees	17	36
Security and firefighting expense	13	14
Green fees	34	52
Pipeline transportation fees	65	26
Agency fees	17	33
Purchases and sales business fee	75	75
Insurance fee	25	62
Other operating expenses	707	946
<b>Total</b>	<b>2,758</b>	<b>3,129</b>

##### (3) Cash received from other investing activities

<b>Items</b>	<b>This year</b>	Last year
Income from test run	242	112
Interest income	41	14
Net cash of ANSC and AS-SSC on the incorporated date	28	
<b>Total</b>	<b>311</b>	<b>126</b>

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 49. Notes to the cash flow statement (*Continued*)

- (4) Cash paid for other investment activities.

Items	This year	Last year
Intermediary fees for loans	7	
<b>Total</b>	<b>7</b>	

#### 50. Supplement to cash flow statement

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

Items	This year	Last year
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
<b>Net profit</b>	<b>(4,600)</b>	924
Add: Provision for impairment	<b>60</b>	(27)
Depreciation of fixed assets	<b>3,767</b>	3,829
Amortization of intangible assets	<b>158</b>	155
Amortization of long-term deferred expense		
Loss on disposal of fixed assets, intangible assets and other non-current assets ("-" for gains)		(3)
Loss on scrap of fixed assets	<b>17</b>	84
Loss on the change of fair value	<b>(4)</b>	
Financial expenses	<b>1,345</b>	1,264
Investment loss	<b>(391)</b>	(673)
Decrease in deferred tax assets ("-" for increase)	<b>815</b>	659
Increase in deferred tax liabilities ("-" for decrease)	<b>12</b>	(4)
Decrease in inventories ("-" for increase)	<b>1,965</b>	1,239
Decrease in operating receivables ("-" for increase)	<b>1,391</b>	2,582
Increase in operating payables ("-" for decrease)	<b>618</b>	(7,877)
Others	<b>(16)</b>	(15)
<b>Net cash flow from operating activities</b>	<b>5,137</b>	2,137



# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 50. Supplement to cash flow statement (*Continued*)

- (1) Reconciliation of net profit to cash flows from operating activities (*Continued*)

Items	This year	Last year
<b>2. Change in cash and cash equivalents:</b>		
Cash at the end of the year	3,601	1,712
Less: Cash at the beginning of the year	1,712	1,126
Add: Cash equivalents at the end of the year		
Less: Cash equivalents at the beginning of the year		
<b>Net increase in cash and cash equivalents</b>	<b>1,889</b>	<b>586</b>

- (2) Information on acquisition of subsidiaries during the year

Items	Amount
Cash or cash equivalents had been paid during the year for combination	128
Including: ANSC	116
AS-SSC	12
Less: Cash and cash equivalents at trading day	156
Including: ANSC	93
AS-SSC	63
Add: Enterprise merger occurred during the previous year cash or cash equivalents paid	
Including: ANSC	
AS-SSC	
Net cash paid to acquire subsidiaries for combination	(28)

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 50. Supplement to cash flow statement (*Continued*)

- (3) Net cash received from disposal of subsidiaries during the year

<b>Items</b>	<b>Amount</b>
Cash or cash equivalents received from disposal of subsidiaries during the year	6
Including: Chengdu Anshan Iron and Steel International Trade Co., Ltd. (“Chengdu Trading”)	6
Less: Cash and cash equivalents held by the company in the days of loss of control	6
Including: Chengdu Trading	6
Add: Disposal of subsidiaries during the previous year cash or cash equivalents received	
Including: Chengdu Trading	
<b>Net cash received from disposal of subsidiaries</b>	

- (4) Composition of cash and cash equivalents

<b>Items</b>	<b>Closing balance</b>	Opening balance
<b>1. Cash at bank and on hand</b>	<b>3,601</b>	1,712
Including: Cash	1	1
Bank deposits available	3,564	1,696
Other deposits available	36	15
<b>2. Cash equivalents</b>		
Including: Bond due within 3 months		
<b>3. Closing balance of cash and cash equivalents</b>	<b>3,601</b>	1,712

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

## 7. CHANGES IN CONSOLIDATION SCOPE

There are two new subsidiaries included in the scope of consolidation, ANSC, AS-SSC; Chengdu Trading was canceled in this year.

### 1. Combination under different control

- (1) Combination under different control during this year

Purchaser	Equity gain point	Equity acquisition cost	Equity ratio (%)	Equity acquisition mode
ANSC	2015.9.30	116	55	Cash
AS-SSC	2015.9.30	12	50	Cash

Purchaser	Purchase date	Basis for determining the purchase date	Net profit of the buyer from the purchase date to the end of the year (%)	Income from the purchase date to the end of the year
ANSC	2015.9.30	Equity transfer agreement	14	150
AS-SSC	2015.9.30	Equity transfer agreement	5	213

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

## 7. CHANGES IN CONSOLIDATION SCOPE (*Continued*)

### 1. Combination under different control (*Continued*)

#### (2) Combined cost

<b>Items</b>	<b>ANSC</b>	<b>AS-SSC</b>	<b>Total</b>
Combined cost			
– Cash	116	12	128
– Fair value of non-cash assets			
– The fair value of issued or assumed debt			
– The fair value of issued equity securities			
– The fair value of the consideration			
– The fair value of the shares held prior to the date of purchase			
– Other			
<b>Total combined cost</b>	<b>116</b>	<b>12</b>	<b>128</b>
Less: Fair value share of identifiable net assets acquired	73	57	130
The combined cost is less than the amount of the fair value of the identifiable net assets acquired	(43)	45	2

### 2. Changes in the scope of consolidation for other reasons

On November 2015, the subsidiary of Chengdu trading was cancelled.

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

## 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
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

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 1. Interest in the subsidiary (*Continued*)

The constitution of the enterprise group (*Continued*)

Full Name of Subsidiaries	Principal place of business	Registry	Nature of the business	Direct stake (%)	Acquisition
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 Anshan Iron and Steel Processing and Distribution (Guangzhou) Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	Fabricated Metal	100	Establish
Anshan Iron and Steel Processing and Distribution (Weifang) Co., Ltd. ("Angang Weifang")	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")	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
ANSC	Changchun	Changchun	Development, production, laser tailor-welded plate And service	100	Combination under common control
AS-SSC	Changchun	Changchun	Production, processing and steel products Sell products sales and distribution Technology research and development	100	Combination under different control

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 2. Interests in joint ventures or associates

#### (1) 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 Changchun	Dalian	Dalian	Steel processing and sales	50	Equity method
FAM	Changchun	Changchun	Steel production and processing services	50	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
Shanghai Chemical	Guangzhou	Guangzhou	Steel Processing and distribution	30	Equity method

#### (2) The accounting treatment of the important joint ventures

Items	ANSC	
	Closing date/ the date occurred in this year	Opening date/ the date occurred in last year
Current assets	1,439	2,477
Cash and cash equivalents	324	1,259
Non-current assets	838	747
<b>Total Assets</b>	<b>2,277</b>	<b>3,224</b>
Current liabilities	420	489
Non-current liabilities	9	11
<b>Total Liabilities</b>	<b>429</b>	<b>500</b>

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

(2) The accounting treatment of the important joint ventures (*Continued*)

Items	ANSC	
	Closing date/ the date occurred in this year	Opening date/ the date occurred in last year
Minority interests Subtotal of Shareholders' equity attributable to shareholders of parent company	1,848	2,724
The share of the net assets calculated by the share of atake	924	1,362
Adjusting events		
– Goodwill		
– Unrealized profit resulting from intra-group trade	(33)	(78)
– Others		
The book value of equity investments in joint ventures	891	1,284
The fair value of the equity investments in joint ventures which exist the public offer		
Operating revenue	4,645	6,391
Finance costs	(1)	(6)
Income tax expenses	59	161
Net profit	425	922
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	425	922
Dividends received from joint ventures this year	650	400



# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

(3) The accounting treatment of the important association

Item	Angang Finance	
	Closing date/ the date occurred in this year	Opening date/ the date occurred in last year
Current assets	10,115	7,532
Cash and cash equivalents	8,967	6,208
Non-current assets	14,873	13,860
<b>Total Assets</b>	<b>24,988</b>	21,392
Current liabilities	18,742	15,722
Non-current liabilities		
<b>Total Liabilities</b>	<b>18,742</b>	15,722
Minority interests	22	22
Subtotal of Shareholders' equity attributable to shareholders of parent company	6,224	5,648
The share of the net assets calculated by the share of atake	1,245	1,130
Adjusting events		
– Goodwill		
– Unrealized profit resulting from intra-group trade		
– Others		
The book value of equity investments in associations	1,245	1,130
The fair value of the equity investments in associations which exist the public offer		
Operating revenue	1,227	1,027
Finance costs		(1)
Income tax expenses	184	171
Net profit	563	520
Net profit from discontinued operations		
Other comprehensive income	23	25
<b>The total of comprehensive income</b>	<b>586</b>	545
Dividends received from associations this year		124

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

(4) The accounting treatment of the unimportant joint ventures and associations

Items	Closing date/ the date occurred in this year	Opening date/ the date occurred in last year
<b>Associations:</b>		
The book value of equity investments	320	447
The followings are calculated by shares		
– Net profit	12	18
– Other comprehensive income		
– The total of comprehensive income	12	18
<b>Joint ventures:</b>		
The book value of equity investments	217	274
The followings are calculated by shares		
– Net profit	4	19
– Other comprehensive income		
– The total of comprehensive income	4	19

### 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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.

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

The Group's objective in risk management is to achieve balance between the risks and benefits, to reduce the risk's negative impact to the lowest level and maximize the interests of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Group's risk management is to identify and analyze the risks faced by the Group, to establish an appropriate baseline for risk tolerance and risk management, to monitor a variety of risk timely and reliably, and to control the risk within a limited range.

#### 1. Market risk

##### (1) 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 December 31, 2015, other assets and liabilities of the Group are denominated in RMB balances.

*Unit: dollar*

<b>Items</b>	<b>Closing date</b>	<b>Opening date</b>
Bank deposits ( <i>USD</i> )	<b>587.93</b>	74.86
Short-term loans ( <i>USD</i> )	<b>400,000,000.00</b>	400,000,000.00
Non-current liabilities due within one year ( <i>euro</i> )	<b>123,946.76</b>	123,946.76
Long-term borrowings ( <i>euro</i> )	<b>123,946.81</b>	247,893.57

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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

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

##### (1) Exchange risk (*Continued*)

- A. On December 31, 2015, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6(1, 16, 24, and 26)
- B. the Group's main foreign exchange rates apply as follows:

Item	Average exchange rate		Middle exchange rate on the reporting date	
	2015	2014	2015	2014
USD	6.2401	6.1453	6.4936	6.1190
Euro	6.9036	8.1255	7.0952	7.4556

#### C. Sensitivity analysis

On December 31, 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
December 31, 2015	USD	(18)	(18)
	Euro		
December 31, 2014	USD	(19)	(19)
	Euro		

As of December 31, 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. 2014 analysis based on the same assumptions.

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

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

##### (2) Interest rate risk

The Group's interest-bearing financial instruments on December 31, 2015, please refer to notes 6(1, 16, 24, 25, 26 and 27).

##### **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 December 31, 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 RMB178 million decrease (2014: RMB172 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 year 2014 is based on the same assumptions.

#### 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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### 2. Credit risk (*Continued*)

The majority of the Group's customers have business transactions 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 December 31, 2015.

Due to the accounts receivables of the top five customers, which are accounted for 46% of the receivables and other receivables on the balance sheet date (2014: 42%), 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.

#### 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(26).

## 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(2, 9).

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).

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

Item	The fair value at the end of the year			Total
	The fair value measured at first level	The fair value measured at second level	The fair value measured at third level	
Available-for-sale financial assets	62			62

Item	The fair value at the end of the year			Total
	The fair value measured at first level	The fair value measured at second level	The fair value measured at third level	
Available-for-sale financial assets	96			96

### 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	Yao Lin	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.

# Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

## 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
Changchun FAM	Joint venture	76717649-0
Chongqing Automotive Steel	Joint venture	09453042-3
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
Angang Reception Service Co.	Fellow subsidiary	94121967-X
Anshan Iron and Steel Group Co., Ltd. Chaoyang	Fellow subsidiary	664560991
Tianjing Tiantie	Fellow subsidiary	664560991
Anshan Yingkou Harbor Co., LTD.	Fellow subsidiary	66729431-8
Pangang Group Panzhihua Steel Vanadium Co., LTD.	Fellow subsidiary	68993035-4



# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 4. Related parties without control relationship (*Continued*)

Name of enterprise	Relation with the Company	Organization code
Anshan Iron and Steel Community (Guangzhou) Stainless Steel Co., LTD.	Fellow subsidiary	91440116734930290U
Pangang Steel Vanadium and Titanium Co., Ltd.	Fellow subsidiary	20436095-6
Pangang Steel Metallurgical Engineering Technology Co., Ltd.	Fellow subsidiary	20436391-1
Pangang Steel Chengdu Steel Vanadium Co., Ltd.	Fellow subsidiary	69090807-4
Anshan Angang Vesuvius Refractory Co., Ltd.	Joint venture of the parent company	68661952-8
Anshan Jidong Cement Co., Ltd.	Joint venture of the parent company	77077858-X
Angang BK Jilini Water Treatment Co., Ltd.	Joint venture of the parent company	68661847-X

### 5. Related-party transactions

#### (1) Related-party transactions within Ansteel Group

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

Contents	Pricing policy	This year		Last year	
		Amount	Percent of similar trade (%)	Amount	Percent of similar trade (%)
Raw materials	Note. i	9,138	55	14,134	48
Steel products	Note. ii	51	100	300	100
Supplementary materials	Note. ii	2,326	29	2,326	33
Energy and power supplies	Note. iii	1,659	37	1,826	32
Support services	Note. iv	4,510	69	5,104	52
Total		17,684		23,690	

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

(1) Related-party transactions within Ansteel Group (*Continued*)

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

Contents	Pricing policy	This year		Last year	
		Amount	Percent of similar trade (%)	Amount	Percent of similar trade (%)
Products	Note. v	1,578	3	3,884	5
Scrap steel and materials		187	94	177	95
General services	Note. v	788	50	750	38
<b>Total</b>		<b>2,553</b>		<b>4,811</b>	

(2) Related-party transactions with Pangang Steel Vanadium and Titanium Co., Ltd.

Related-party transactions on Procurement of Goods and Services

Contents	Pricing policy	This year		Last year	
		Amount	Percent of related transactions (%)	Amount	Percent of related transactions (%)
Raw materials	Note. i	1,489	14	1,490	7
<b>Total</b>		<b>1,489</b>		<b>1,490</b>	

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

#### (2) Related-party transactions with Pangang Steel Vanadium and Titanium Co., Ltd. (*Continued*)

*Notes:* (i) The iron ore concentrate purchase price is not higher than the average import prices of (T-2) month quotation from China customs plus freight charges and adjustment for grade. The price is adjusted by 10 yuan per ton for one percentage of 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;

(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.

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

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

#### (3) Guarantee of loans

Warrantor	Warranty	Amount			Whether fulfilled
		Guaranteed	Starting date	Expiring date	
Ansteel Group	Angang Hefei	21	May 5, 2013	September 6, 2016	No
Ansteel Group	Guangzhou automobile Stee	40	July 23, 2014	December 31, 2017	No
Ansteel Group	The audited company	1,800	April 17, 2015	April 28, 2016	No
Ansteel Group	The audited company	1,623	March 2, 2015	April 29, 2016	No

#### (4) Other related-party transactions

##### (i) Service from sales agent

For the year 2015, the amount of domestic and export sales agent service provided Angang Trade were 287 million tons respectively (251 million tons respectively for the year 2014).

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

##### A. Sales of products

Name of enterprise	Sales in this year	Sales in last year
ANSC-TKS	2,816	4,350
AS-SSC	168	288
Changchun FAM	55	87
ANSC		40
Nansha Logistical	49	29

##### B. Service of sales agent

The amount paid to AS-SSC for their sales agent service was RMB1 million for the year 2015 (RMB2 million for the year end in 2014).

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

#### (4) Other related-party transactions (*Continued*)

##### (iii) Sale of assets

The Company Sale assets valued RMB52 million of Chongqing Automobile Steel's 50% stake to Xichang Pangang Group 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	5.40-5.904	21	157		178	Guarantee loans
Deposit		736			834	

In 2015, the Group's interest income of deposit in Angang Finance was RMB11 million (for the year end 2014: RMB7 million) and the interest expenditure for loans from Angang finance was RMB26 million (for the year end 2014: RMB52 million). The highest daily deposit in Angang Finance in 2015 was RMB1,324 million (for the years end 2014: 3,426 million).

##### (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	885	350	Credit loan

The Ansteel Group entrusted the Angang Finance to grant and manage the loans, and the loan interest expenditure in 2015 was RMB40 million (for the year 2014 was RMB6 million).

## Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

##### (5) Remuneration of the directors, supervisors and senior management

Items	2015	2014
Directors' fees	0.36	0.38
Other remuneration:		
Salaries, allowances and non-cash amount of interest	2.22	2.17
Performance-related bonus		
Equity-settled share option expenses	0.43	0.43
Pension plan contributions	0.44	0.44
Other remuneration	3.09	3.04
<b>Total</b>	<b>3.45</b>	<b>3.42</b>

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

Name	Accounts in this year					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance-related bonus	Equity-settled share option expenses	Pension plan contributions	
<b>Executive directors:</b>						
Yao Lin						
Wang Yidong		0.42		0.08	0.08	0.58
Zhang Lifen		0.40		0.07	0.08	0.55
Zhang Jingfan		0.09		0.03	0.02	0.14
Subtotal for executive directors		0.91		0.18	0.18	1.27

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

#### (5) Remuneration of the directors, supervisors and senior management (*Continued*)

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel (*Continued*)

Name	Accounts in this year					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance-related bonus	Equity-settled share option expenses	Pension plan contributions	
<b>Non-executive directors:</b>						
Fangzheng chen	0.09					0.09
Xuanhui qu	0.09					0.09
Zhengdong liu	0.09					0.09
Zhiwei zhou	0.09					0.09
Subtotal for non-executive directors	0.36					0.36
<b>Supervisors:</b>						
Daqing Lin						
Jun song		0.26		0.04	0.05	0.35
Hai bai		0.10		0.03	0.02	0.15
Subtotal for supervisors		0.36		0.07	0.07	0.50
<b>Senior management:</b>						
Jun Liu		0.34		0.07	0.07	0.48
Lianyong Ma		0.25		0.04	0.05	0.34
Zhiwu Xu						
Ziping Ren		0.36		0.07	0.07	0.50
Jie Liu						
Subtotal for senior management		0.95		0.18	0.19	1.32
Total	0.36	2.22		0.43	0.44	3.45

# Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

#### (5) Remuneration of the directors, supervisors and senior management (Continued)

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel (Continued)

Name	Accounts in last year					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance-related bonus	Equity-settled share option expenses	Pension plan contributions	
<b>Executive directors:</b>						
Xiaogang zhang						
Fuping tang						
Hua yang						
Yidong wang		0.48		0.08	0.10	0.66
Lianyong ma		0.32		0.06	0.06	0.44
Subtotal for executive directors		0.80		0.14	0.16	1.10
<b>Non-executive directors:</b>						
Fangzheng chen	0.09					0.09
Xuanhui qu	0.09					0.09
Zhengdong liu (appoint in June 4, 2014)	0.05					0.05
Zhiwei zhou (appoint in June 4, 2014)	0.05					0.05
Shijun li (departure in June 4, 2014)	0.05					0.05
Zhijie kuang (departure in June 4, 2014)	0.05					0.05
Subtotal for non-executive directors	0.38					0.38



# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

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

#### (5) Remuneration of the directors, supervisors and senior management (*Continued*)

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel (*Continued*)

Name	Accounts in last year					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance-related bonus	Equity-settled share option expenses	Pension plan contributions	
<b>Supervisors:</b>						
Zhiwu xu						
Jun song (appoint in October 14, 2014)		0.36		0.07	0.07	0.50
Hai bai		0.10		0.04	0.02	0.16
Mingyi shan (appoint in October 14, 2014)						
Subtotal for supervisors		0.46		0.11	0.09	0.66
<b>Senior management:</b>						
Lifen zhang		0.32		0.06	0.07	0.45
Zipping ren		0.32		0.06	0.07	0.45
Jun liu		0.27		0.06	0.05	0.38
Subtotal for senior management		0.91		0.18	0.19	1.28
Total	0.38	2.17		0.43	0.44	3.42

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

Top five employees by remuneration involved two directors, one supervisor and two senior managers (the same with 2014), and whose payment are set out in detail above.

# Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 6. Balances of related-party transactions

#### (1) Account receivables and prepayments

Items	Closing balance	Opening balance
<b>Account receivables</b>		
Angang Trade	172	131
Angang Chaoyang	19	233
AS-SSC		77
Angang Construction Group		9
Anshan Jidong Cement Co., Ltd	37	48
Pangang Steel Chengdu Steel Vanadium Co., Ltd	5	8
Angang Engineering Technology Co., Ltd		5
Ansteel Group	8	5
Anshan Iron and Steel Co., Ltd.	26	14
Angang Heavy Machinery Co., Ltd.	44	19
Ansteel Construction Co., LTD	16	
Ansteel Electric Co., LTD	2	
ANSC	1	
Ansteel Cold-rolled Steel Sheet (Putian) Co., LTD	21	
Other Related Parties	4	2
Total	335	551
<b>Prepayment</b>		
Angang Trade	1,367	2,035
Angang Engineering Technology Co., Ltd	13	385
Angang Chaoyang		87
Angang Construction Group	3	23
Angang Heavy Machine Co., Ltd		78
Angang Mining Construction Co.		3
Angang Motor Transport Co., LTD	2	
Anshan Iron and Steel Group Information Industry Co., Ltd.		41
Ansteel group automation Co., LTD		6
Total	1,385	2,658

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 6. BALANCES OF RELATED-PARTY TRANSACTIONS (*Continued*)

#### (2) Accounts payable and receivables in advance

Items	Closing balance	Opening balance
<b>Account payables</b>		
Angang Trade	1,170	3,504
Angang Construction Group	23	35
Angang Entity Group	35	61
Angang Heavy Machine Co., Ltd	6	20
ANSC-Dachuan		29
Angang Mining Construction Co.	7	17
Angang Chaoyang	5	59
Angang Automatism Co	9	11
Angang Electric Co., Ltd	4	10
Angang Real Estate Development Co., Ltd		4
Falan Packing	5	8
Angang Auto Transport Co., Ltd	16	15
Ansteel Group	5	5
Angang Railway Transport Facilities Construction Co.	6	6
Angang Steel Rope Co., Ltd.	2	3
Angang Engineering Technology Co., Ltd	16	4
Tianjin Iron		107
ANSC	102	81
Anshan angang Vesuvius Refractories Co., LTD	104	
Other Related Parties	2	2
Total	1,517	3,981

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

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

#### 6. BALANCES OF RELATED-PARTY TRANSACTIONS (*Continued*)

##### (2) Accounts payable and receivables in advance (*Continued*)

Items	Closing balance	Opening balance
<b>Receivables in advance</b>		
ANSC-TKS	216	124
Pangang group trade co., LTD	13	
Angang Mining Co	9	12
Angang Construction Group	7	
Angang Entity Group	22	21
Falan Packing	8	16
Ansteel Group		5
Ansteel Casting Co., LTD	3	
TKAS		3
Ansteel Motor Transport Co., LTD	1	
Angang Trade	66	53
Angang Heavy Machine Co., Ltd	3	4
Angang Automatism Co	2	1
<b>Total</b>	<b>350</b>	<b>239</b>

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

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

### 6. BALANCES OF RELATED-PARTY TRANSACTIONS (*Continued*)

#### (2) Accounts payable and receivables in advance (*Continued*)

Items	Closing balance	Opening balance
<b>Other payables</b>		
Ansteel Group	1	
Angang Engineering Technology Co., Ltd	231	166
Angang Construction Group	75	81
Angang Trade	69	29
Angang Automatism Co., Ltd.	33	45
Angang Mine Construction Co., Ltd.	23	35
Angang Entity Group	17	42
Angang Heavy Machine Co., Ltd	12	24
Angang Auto Transport Co., Ltd	1	
Angang Electric Co., Ltd	11	11
Angang Real Estate Development Co., Ltd	1	
Angang Railway Transport Facilities Construction Co., Ltd.	5	3
Panzhuhua, Panzhuhua Iron and Steel Group Design Institute Co., Ltd.		7
Anshan Yingkou Harbor International Co., LTD	19	
Anshan Information Industrial Co., Ltd.	14	
Pangang Group Panzhuhua Steel Vanadium Co., LTD	5	
Other Related Parties		2
Total	517	445

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

### 12. SHARE-BASED PAYMENT

As of December 31, 2015, there is no share based payment transaction need to be disclosed.

### 13. COMMITMENTS

#### 1. Significant commitments

<b>Items</b>	<b>2015</b>	2014
Investment contracts entered but not yet performed or performed partially	18	158
Construction and renovation contracts entered but not yet performed or performed partially	1,420	5,007
<b>Total</b>	<b>1,438</b>	5,165

#### 2. Contingencies

As of December 31, 2015, there were no contingencies need to be disclosed.

### 14. SUBSEQUENT EVENTS

There were no matters need to be disclosed after the balance sheet date.

### 15. OTHER SIGNIFICANT INSTRUCTIONS

As of December 31, 2015, there was no other significant instructions need to be disclosed.

# Notes to the Financial Statements (Continued)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS

### 1. Accounts receivable

#### (1) 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	1,315	80		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	321	20	1	100
<b>Total</b>	<b>1,636</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>

# Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (*Continued*)

### 1. Accounts receivable (*Continued*)

#### (2) Aging analysis of accounts receivable

Aging	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	1,554	95		
1 to 2 years	78	5		
2 to 3 years	3			
Over 3 years	1		1	100
<b>Total</b>	<b>1,636</b>	<b>100</b>	<b>1</b>	<b>100</b>

Aging	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	2,981	95		
1 to 2 years	141	5		
2 to 3 years				
Over 3 years	1		1	100
<b>Total</b>	<b>3,123</b>	<b>100</b>	<b>1</b>	<b>100</b>

#### (3) Bad debt provision accrued at the end of the year:

By judgment of the management, majority of accounts receivables could be recovered and debtor's solvency is reliable, so bad debt provision is relatively low.

#### (4) The condition of accounts receivable of the top five debtors by the balances at the end of the year

The accounts receivable balance of top five debtors was RMB662 million, accounting for 40% of the balance at the end of the year, and bad debt provision of which was 0 in total.



# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (*Continued*)

### 2. Other receivables

#### (1) 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	14	30		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	33	70		
<b>Total</b>	<b>47</b>	<b>100</b>		
	Opening balance			
Type	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Other receivables with significant single amount subject to individual impairment				
Other receivables with insignificant single amount subject to individual impairment	17	100		
<b>Total</b>	<b>17</b>	<b>100</b>		

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

### 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (*Continued*)

#### 2. Other receivables (*Continued*)

- (2) Classification of other receivable according to the nature

Other accounts receivable	Closing book value	Opening book value
Petty cash	22	6
Export rebates	14	
Other	11	11
Total	47	17

- (3) 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

- (1) 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	1,865		1,865	1,592		1,592
Investments in joint ventures and associates	2,673		2,673	3,135		3,135
Total	4,538		4,538	4,727		4,727

# Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (*Continued*)

### 3. Long-term equity investments (*Continued*)

#### (2) 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		
ANSC		175		175		
AS-SSC		69		69		
Zhengzhou Steel	123			123		
<b>Total</b>	<b>1,592</b>	<b>274</b>		<b>1,865</b>		

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

The same to Note 6(10).

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

### 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (*Continued*)

#### 4. Operating income and operating cost

<b>Items</b>	<b>This period</b>	Last period
Prime operating income	<b>51,465</b>	73,499
Other operating income	<b>69</b>	269
<b>Total</b>	<b>51,534</b>	73,768
Prime operating income	<b>48,319</b>	65,088
Other operating income	<b>68</b>	146
<b>Total</b>	<b>48,387</b>	65,234

#### 5. Investment income

<b>Items</b>	<b>This period</b>	Last period
Long-term equity investment income measured at equity method	<b>340</b>	587
Investment income from disposal of long-term equity investments	<b>5</b>	
Measured at fair value and the changes are recorded into the profits and losses of the current financial assets during the period of holding the investment returns	<b>(8)</b>	
The investment income during the period when held the available-for-sale financial assets	<b>8</b>	86
Disposal of available for sale financial assets investment returns	<b>51</b>	
<b>Total</b>	<b>396</b>	673

## Notes to the Financial Statements (*Continued*)

For the year 2015 (Expressed in million RMB unless otherwise indicated)

### 17. NET CURRENT ASSETS

<b>Items</b>	<b>Closing balance</b>	Opening balance
Current assets	<b>23,595</b>	26,624
Less: Current liabilities	<b>43,004</b>	36,751
Net current assets/(liabilities)	<b>(19,409)</b>	(10,127)

### 18. TOTAL ASSETS LESS CURRENT LIABILITIES

<b>Items</b>	<b>Closing balance</b>	Opening balance
Total assets	<b>88,596</b>	91,291
Less: Current liabilities	<b>43,004</b>	36,751
Total assets less current liabilities	<b>45,592</b>	54,540

## Notes to the Financial Statements (*Continued*)

*For the year 2015 (Expressed in million RMB unless otherwise indicated)*

### 19. SUPPLEMENTARY DOCUMENTS

#### 1. Non-recurring gains and losses

Items	This period	Last period
Gains/losses from disposal of non-current assets	(17)	(81)
Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies	128	101
Net profit or loss generated by merging subsidiaries by business combination under common control from the beginning of the period to the combination date		
Other Non-recurring gains/losses	(1)	(6)
Subtotal	110	14
Effect on taxation	(28)	(3)
Effect on minority interest (after tax)		
Total	82	11

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).

#### 2. Roe and eps

Profit in this period	Weighted average (ROE)	EPS ( <i>Yuan per share</i> )	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shares	(10.06)	(0.635)	(0.635)
Net profit (exclusive of non-operating profit) attributable to ordinary shares	(10.24)	(0.646)	(0.646)

## Five-Year Summary

	2015	2014	2013	2012	2011
Operating revenue	52,759	74,046	75,329	78,214	91,289
Net (loss)/profit	(4,600)	924	755	(4,252)	(2,159)
Total assets	88,596	91,291	92,865	103,337	105,013
Total liabilities	(44,915)	(43,095)	(45,775)	(54,304)	(51,841)
Net assets	43,681	48,196	47,090	49,033	53,172

# Other Relevant Corporate Information

## INCORPORATION:

	Date of incorporation	Place of incorporation	Registration number of legal person business license held by the Company	Taxation registration number	Organisation code
Initial incorporation	8 May 1997	396 Nan Zhong Hua Road, Tie Dong District, Anshan City, Liaoning Province	Qi Gu Han Zong Zi No. 00344	210302242669479	24266947-9
Incorporation as at the end of the Reporting Period	1 July 2015	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC	210000400006026	210302242669479	24266947-9

Changes in the main business of the Company since the Company's Listing  
Changes of the Controlling Shareholder of the Company

No changes in the main business  
None

## AUDITOR

Name of auditor	Ruihua Certified Public Accountants (Special General Partnership)
Place of business of auditor	3-9/F, China Overseas Property Plaza, 8 Xibinhe Road, Yong Ding Men, Dong Cheng District, Beijing, China

## REGISTERED ADDRESS OF THE COMPANY IN HONG KONG

33/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong



# Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

“A Share(s)”	ordinary share(s) issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in RMB;
“Angang Dalian”	Angang Steel Processing & Distribution (Dalian) Co., Ltd.* (鞍鋼鋼材加工配送(大連)有限公司);
“Angang Financial Company” or “Angang Finance”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司), a company incorporated in the PRC and a subsidiary of Angang Group Company;
“Angang Group”	Angang Group Company and its subsidiaries from time to time;
“Angang Group Company”	Angang Group Company* (鞍鋼集團公司), a company incorporated in the PRC with limited liabilities, the ultimate controlling shareholder of the Company;
“Angang Guangzhou”	Guangzhou Angang Steel Processing Co., Ltd.* (廣州鞍鋼鋼材加工有限公司);
“Angang Hefei”	Angang Steel Distribution (Hefei) Co., Ltd.* (鞍鋼鋼材配送(合肥)有限公司);
“Angang Holding”	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), the immediate holding company of the Company, which currently holds approximately 67.29% of the equity interest of the Company and a major enterprise in the iron and steel industry of the PRC;
“Angang Holding Group”	Angang Holding and its subsidiaries from time to time;
“Angang Shanghai”	Shanghai Angang Steel Processing Co., Ltd.* (上海鞍鋼鋼材加工有限公司);
“Angang Shenyang”	TKAS Angang Shenyang Steel Product Processing and Distribution Group Limited* (鞍鋼瀋陽鋼材加工配送有限公司);
“Angang Steel Changchun	Angang Steel Changchun Tailor-welded Plate Tailor-welded Plate (Changchun) Co., Ltd.* (鞍鋼鐳射拼焊板(長春)有限公司);
“Angang Tianjin”	Tianjin Angang Steel Product Processing and Distribution Co., Ltd.* (天津鞍鋼鋼材加工配送有限公司);
“Angang Tiantie”	Tianjin Angang Tiantie Cold Rolled Sheets Co. Limited* (天津鞍鋼天鐵冷軋薄板有限公司);

## Definitions (*Continued*)

“Angang Trade”	Angang Group International Economic Trading Corporation* (鞍鋼集團國際經濟貿易公司);
“Angang Weifang”	Weifang Angang Steel Processing And Distribution Co., Ltd.* (鞍鋼濰坊鋼材加工配送有限公司);
“Angang Wuhan”	Angang Steel Distribution (Wuhan) Co., Ltd.* (鞍鋼鋼材配送(武漢)有限公司);
“Angang Zhengzhou”	Angang Steel Processing and Distribution (Zhengzhou) Co., Ltd.* (鞍鋼鋼材加工配送(鄭州)有限公司);
“Annual General Meeting”	the annual general meeting of the Company to be convened on 8 June 2016;
“Anqian Mining”	Angang Group Anqian Mining Company Limited* (鞍鋼集團鞍千礦業有限責任公司), a company incorporated in the PRC and a wholly-owned subsidiary of Pangang Vanadium & Titanium;
“ANSC-Dachuan”	ANSC-Dachuan Heavy Industries Dalian Steel Product Processing and Distribution Co., Ltd.* (鞍鋼股份 — 大船重工大連鋼材加工配送有限公司);
“ANSC-TKS”	ANSC-TKS Galvanizing Co., Ltd.* (鞍鋼新軋 — 蒂森克虜伯鍍鋅鋼板有限公司);
“ANSI”	Angang New Steel and Iron Company Limited* (鞍鋼集團新鋼鐵有限責任公司), the former wholly-owned subsidiary of Angang Holding. In January 2006, the Company acquired the 100% equity interests of ANSI held by Angang Holding and cancelled the business registration of ANSI;
“associate”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Board”	the board of Directors;
“Changchun FAM”	Changchun FAM Steel Processing and Distribution Co., Ltd.* (長春一汽鞍井鋼材加工配送有限公司);
“Changchun Steel Processing”	Angang Steel Processing & Distribution (Changchun) Co., Ltd.* (鞍鋼鋼材加工配送(長春)有限公司);
“Chengdu Trade”	Chengdu Angang International Trade Co., Ltd.* (成都鞍鋼國際貿易有限公司);
“Chongqing Automobile Steel”	Angang Chongqing Highstrength Automobile Steel Co., Ltd.* (鞍鋼重慶高強汽車鋼有限公司);

## Definitions (*Continued*)

“close associate”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Company”	Angang Steel Company Limited* (鞍鋼股份有限公司), a joint stock limited company incorporated in Anshan, Liaoning Province, the PRC, the H Shares of which are listed on the Hong Kong Stock Exchange and the A Shares of which are listed on the Shenzhen Stock Exchange;
“connected person”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 of the Hong Kong Listing Rules;
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the national securities markets in the PRC;
“Director(s)”	the director(s) of the Company;
“EPS”	earnings per share;
“Group”	the Company and its subsidiaries from time to time;
“Guangzhou Trade”	Guangzhou Angang International Trade Co., Ltd.* (廣州鞍鋼國際貿易有限公司);
“H Share(s)”	ordinary share(s) issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“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*);
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules;
“Ningbo Trade”	Ningbo Angang International Trade Co., Ltd.* (寧波鞍鋼國際貿易有限公司);

## Definitions (*Continued*)

“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團鋼鐵鈮鈦股份有限公司), a company incorporated in the PRC with shares listed on the Shenzhen Stock Exchange;
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries from time to time;
“PRC”	the People’s Republic of China (for the purpose of this annual report, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
“PRC ASBE”	Accounting Standards for Business Enterprises — Basic Standard and 41 Specific Standards issued by the Ministry of Finance of the PRC, and application guidance, bulletins and other relevant accounting regulations issued thereafter, collectively;
“Reporting Period”	the 12-month period from 1 January 2015 to 31 December 2015;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong);
“Supervisor(s)”	member(s) of the Supervisory Committee;
“Supervisory Committee”	the supervisory committee of the Company;
“Shanghai Trade”	Shanghai Angang International Trade Co., Ltd.* (上海鞍鋼國際貿易有限公司);
“Shenyang Trade”	Shenyang Angang International Trade Co., Ltd.* (瀋陽鞍鋼國際貿易有限公司);
“Tianjin Trade”	Tianjin Angang North International Trade Co., Ltd.* (天津鞍鋼國際北方貿易有限公司);
“TKAS”	ANSC-TKS (Changchun) Tailored Blanks Ltd.* (蒂森克虜伯鞍鋼 (長春) 激光拼焊板有限公司);
“TKAS-SSC”	ANSC-TKS Changchun Steel Logistics Co., Ltd.* (鞍鋼蒂森克虜伯鋼材配送 (長春) 有限公司);
“Yantai Trade”	Yantai Angang International Trade Co., Ltd (煙台鞍鋼國際貿易有限公司); and
“%”	per cent.

\* For identification purpose only

## Documents Available for Inspection

1. Financial statements signed by the Legal Representative, Chief Accountant and Comptroller of the Company and with seal affixed;
2. Original of the auditor's report sealed by accounting firms and signed and sealed by certified public accountants;
3. Originals of all documents and manuscripts of announcements disclosed by the Company in the China Securities Journal and the Securities Times in 2015;
4. Annual report of the Company submitted to the Hong Kong Stock Exchange;
5. The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited\* situated at Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC.

**Angang Steel Company Limited\***  
*The Board*

30 March 2016

*Note:* This report is prepared in both Chinese and English. The Chinese version shall prevail in case of any inconsistency between the two versions.



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