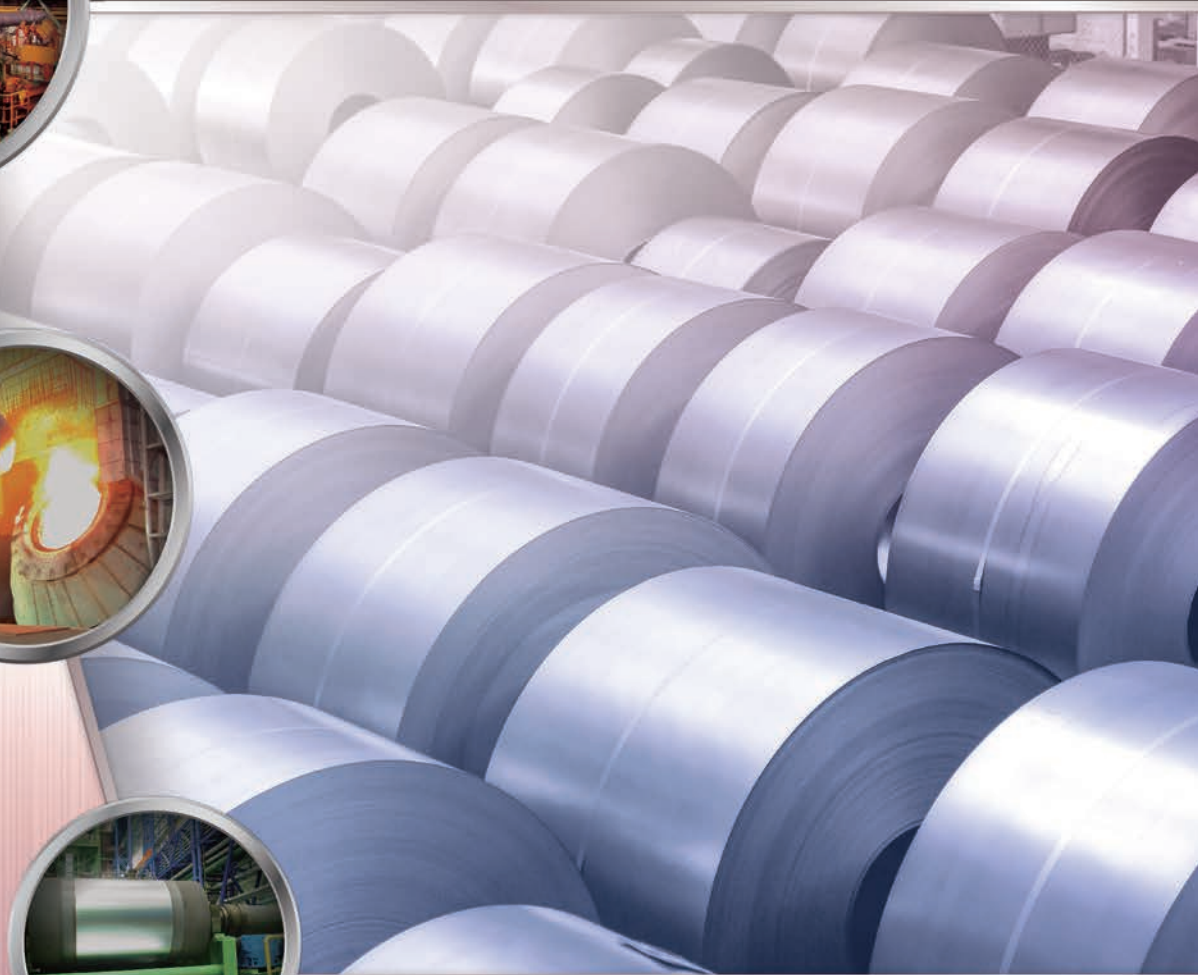
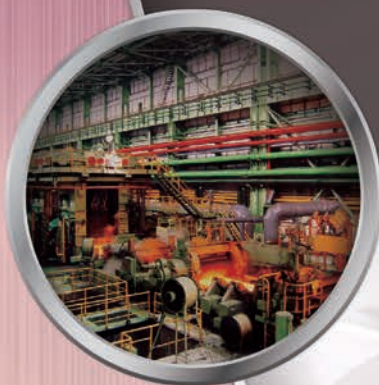




鞍 鋼 股 份 有 限 公 司
ANGANG STEEL COMPANY LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 00347



2019
Annual Report

* For identification purposes only



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Corporate Profile

The Board, the 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. Wang Yidong, the Company's Chairman and the person in charge, Mr. Ma Lianyong, Chief Accountant and Mr. Gong Jin, the 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 reorganization, 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 were not traded or transferred within 36 months starting from 23 February 2006. The total number of shares of the Company was 5,932,985,697 after the issue of new shares.

Corporate Profile (Continued)

CORPORATE PROFILE (CONTINUED)

On 20 June 2006, it was approved by the annual general meeting of the Company for the year 2005 that the Chinese name of the Company was changed from “鞍鋼新軋鋼股份有限公司” to “鞍鋼股份有限公司”, while the Chinese short name was changed to “鞍鋼股份” from “鞍鋼新軋”, and 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. After 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 other A shareholders and 890,000,000 H Shares held by H shareholders.

In 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 the 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 issued HK\$1.85 billion of zero coupon H share convertible bonds on the Hong Kong Stock Exchange on 25 May 2018. The convertible bonds were listed in Hong Kong on 28 May, 2018. The Stock Exchange is listed and dealt and will expire on 25 May 2023.

Corporate Profile (Continued)

CORPORATE PROFILE (CONTINUED)

In June 2019, the Company issue shares to all shareholders by way of capitalization of capital reserve on the basis of three(3) capitalisation shares for every ten(10) existing shares, and the share capital capitalized is 2,170,442,354 shares in aggregate. Upon capitalization, the Company's total shares is 9,405,250,201 shares, among others, 7,993,710,201 A Shares and 1,411,540,000 H Shares.

The Company is a large national enterprise for manufacture and sales of iron and steel with registered capital of RMB9.405 billion currently.

The Company is engaged in steel rolling and processing industry and has the entire process of production of iron and steel including sintering, coking, iron-making, steel-making, steel rolling, railway transportation, energy power and ancillary facilities with more sophisticated supporting services industry chains such as logistics, trading and steel processing and its main body installation reaches the advanced level of the contemporary era.

Currently, the Company has three big production bases respectively located in Anshan, Yingkou and Chaoyang and collaborates with processing and distribution or sales service agencies in cities such as Dalian, Shanghai, Tianjin, Guangzhou, Shenyang, Wuhan, Hefei and Zhengzhou to conduct international operation by relying on the overseas sales presences under Angang Group.

The Company's products have diversified structure and include hot rolled sheets, medium and thick plates, cold rolled sheets, galvanized steel sheets, color coating plates, cold rolled silicon steel, heavy rails, heavy section, seamless steel pipes and wire rods and other product lines which have a comprehensive product portfolio with a vast variety of products and complete specifications,. These products are widely used in industries such as machinery, metallurgy, petroleum, chemical industry, coal, electric power, railway, shipbuilding, automobile, construction, home electrical appliances and aviation.

The sales for cold-rolled household steel and steel for railway vehicles of the Company rank among the best in domestic market. The series of steel products with high-tech characteristics made by the Company including steel for automobile, nuclear power, petroleum and petrochemicals, home electrical appliances, container and electrical steel have ranked among famous brand products. Research of new types of steel products for vessel plate and railway steel rail as well as technology for manufacture of steel rail has reached international advanced level. The technology for the series products of high-strength thick pipelines steel for undersea high pressure oil and gas pipeline delivery was industry-leading. Moreover, the Company established the first national key laboratory for metallic material of marine equipment and its application. The Company's' brand enjoys a high reputation and trustworthiness. Meanwhile, steel for railway as well as steel plates for containers and vessels have continued to be named "China Top Brand".

Corporate Profile (Continued)

CORPORATE PROFILE (CONTINUED)

In 2019, the Company forged ahead the coordination and development of other relevant industries with its focus on steel and iron industry including green resources, chemical technology, cleaning power-generating, high-end car spare parts and e-commerce and established Angang Steel Vehicle Spare Parts Technology Co., Ltd. and projects such as Acicular Coke, EPS production line, steam supply for Kerry Grain and Oil Corporation were completed and brought into operation as scheduled.

The Company makes every effort to promote digitalization and intelligent transformation and upgrading, improve the Company's comprehensive competitiveness in the steel industry in an all-round way, accelerate the application of intelligent manufacturing, artificial intelligence and big data technologies, and clarify the "12345" top-level design framework for intelligent manufacturing. Unmanned belt, Bayuquan Iron & Steel Branch Company energy centralized control platform and other projects were put into operation as scheduled. The "Steel Full Process Quality Big Data Integration Application Project Solution" is selected as a pilot demonstration project of the Industrial Internet Excellent Solution by the Ministry of Industry and Information Technology.

Corporate Profile (Continued)

I. 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	Wang Yidong		
Registered Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC		
Postal Code of the Registered Address	114021		
Business Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC		
Postal Code of Business Address	114021		
Website of the Company	http://www.ansteel.com.cn		
E-mail	ansteel@ansteel.com.cn		

Corporate Profile (Continued)

II. CONTACT PERSONS AND CONTACT METHODS

	Joint Company Secretary		Securities Affairs Representative
Name	Ma Lianyong	Chen Chun	Wang Congqing
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878	00852-3912 0863	0412-8417273 0412-6751100
Fax	0412-6727772	00852-3912 0801	0412-6727772
E-mail	mly@ansteel.com.cn	jessica.chen@swcsgroup.com	wangcongqing@ansteel.com.cn

III. INFORMATION DISCLOSURE AND PLACES FOR INSPECTION

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

Summary of Accounting Figures and Financial Indicators

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Unit: RMB million

Items	2019	2018	Changes over the preceding year (%)	2017	
				Before adjustment	After adjustment
Operating income	105,587	105,157	0.41	84,310	91,683
Operating profit	2,025	10,088	-79.93	5,526	6,359
Total profit	1,972	10,008	-80.30	5,480	6,313
Net profit attributable to shareholders of the Company	1,787	7,952	-77.53	5,605	6,638
Net profit attributable to shareholders of the Company after extraordinary items	1,716	6,633	-74.13	5,586	5,585
Net cash flow from operating activities	10,020	8,294	20.81	6,268	6,478
Basic earnings per share (RMB/share)	0.190	0.846	-77.54	0.596	0.706
Diluted earnings per share (RMB/share)	0.187	0.840	-77.74	0.596	0.706
Returns on net assets on weighted average basis (%)	3.43	14.82	Decreased by 11.39 percentage points	11.81	14.02

Summary of Accounting Figures and Financial Indicators (Continued)

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS (CONTINUED)

Items	At the end of 2019	At the end of 2018	Changes over the preceding year (%)	At the end of 2017	
				Before adjustment	After adjustment
Total assets	87,808	90,024	-2.46	89,204	94,886
Total liabilities	35,260	37,559	-6.12	38,818	42,174
Owner's equity attributable to shareholders of the Company	52,079	51,962	0.23	49,973	52,291
Assets-liability ratio (%)	40.16	41.72	Decreased by 1.56 percentage points	43.52	44.45
Total share capital	9,405	7,235	30.00	7,235	7,235

Reason for retrospective adjustment or restatement:

- Changes in accounting policies Accounting error adjustment
 Business combination under common control Other

- The Company acquired Chaoyang Iron and Steel and Energy Technology from the business combination under common control and retrospectively adjusted the data for 2017.
- The Company implemented the profit distribution of 2018 on 28 June 2019 to issue shares to all shareholders by way of capitalization of capital reserve on the basis of three(3) capitalisation shares for every ten (10) existing shares, and the share capital changed from 7,235 million shares to 9,405 million shares. Therefore, the basic earnings per share and diluted earnings per share in the previous period are recalculated according to the share capital after capitalisation.

Summary of Accounting Figures and Financial Indicators (Continued)

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS (CONTINUED)

Total share capital of the Company as at 26 March 2020:

Total share capital (<i>shares</i>)	9,405,250,201
Fully diluted earnings per share calculated based on the latest share capital (<i>RMB/share</i>)	0.190

Is there any corporate bond

Yes No

II. MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB million

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating income	24,463	26,611	26,549	27,964
Net profit attributable to shareholders of the Company	417	1,008	297	65
Net profit attributable to shareholders of the Company after extraordinary items	392	975	289	60
Net cash flow from operating activities	2,009	1,756	2,583	3,672

Whether there is substantial difference between the aforesaid financial indicators or their sum and those disclosed in the quarterly report and interim report.

Yes No

Summary of Accounting Figures and Financial Indicators (Continued)

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

Unit: RMB million

Items of Non-Recurring Gains and Losses	2019	2018	2017	Description
1. Gains/losses from disposal of non-current assets	-54	-103	-44	-
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	83	86	72	-
3. Net gains or losses of subsidiaries arising from business combination under common control from the beginning of the year to the date of combination	-	1,268	-	-
4. Net gains or losses of subsidiaries arising from business combination under common control for the previous year	-	-	1,034	-
5. Changes in fair value of financial assets held for trading	3	-5	-	-
6. Changes in fair value of other non-current liabilities (part of derivative financial instruments)	60	68	-	-
7. Achievement by steps of business combination under non-common control, the earnings from remeasurement of original equity at fair value	-	-22	-	-
8. Achievement by steps of business combination under non-common control, the earnings from the lower merger cost than the fair value of the investee's identifiable net assets attributable to the investor when the investment is acquired	-	26	-	-
9. Investment income from disposal of subsidiaries	-	2	-	-
10. Other non-operating revenue and expenses except those mentioned above	3	17	-2	-
Subtotal	95	1,337	1,060	-
Less: Effect on income tax	24	17	7	-
Effect on minority investors (after tax)	-	1	-	-
Total	71	1,319	1,053	-

Note: For the figures of non-recurring gains and losses items, "+" indicates gains or income, "-" indicates losses or expenses.

Summary of Accounting Figures and Financial Indicators (Continued)

III. ITEMS OF NON-RECURRING GAINS AND LOSSES AND EFFECT ON PROFIT (CONTINUED)

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

Applicable Not applicable

Chairman's Statement

On behalf of the Board of Angang Steel, I am pleased to present the annual report of the Company for the year ended 31 December 2019 and hereby extend my regards to all shareholders.



OPERATING RESULTS FOR 2019:

According to the PRC Accounting Standard for Business Enterprise ("PRC ASBE"), the Group recorded a net profit attributable to shareholders of the Company of RMB1,787 million and basic earnings per share of RMB0.190 for the year ended 31 December 2019. Net profit attributable to shareholders of the Company was RMB7,952 million and basic earnings per share (after adjustment) was RMB0.846 for the year ended 31 December 2018.

Chairman's Statement (Continued)

PROFIT DISTRIBUTION:

Net profit attributable to shareholders of the Company amounted to RMB1,787 million for the year of 2019, provision of statutory surplus reserve amounted to RMB95 million, the Group's undistributed profit amounted to RMB5,551 million as at 31 December 2019, as audited and confirmed by ShineWing Certified Public Accountants (Special General Partnership) in accordance with the PRC ASBE.

The Board recommended distributing RMB536,099,261 of distributable profits to all shareholders of the Company by way of cash dividend of RMB0.57 (tax inclusive) per 10 shares on the basis of the total share capital of 9,405,250,201 shares, which accounted for 30% of the net profit attributable to shareholders of the Company. The funds used for profit distribution were from the Company's own funds. If there is any change in the Company's total share capital as of the record date for dividend distribution in 2019, the total amount of cash dividend under the profit distribution proposal will remain unchanged, and the cash dividend per share will be adjusted on the basis of the Company's total share capital on the record date for dividend distribution. The profit distribution plan conforms to the profit distribution policy stipulated in the Articles of Association of the Company. There is no significant difference between the Company's cash distribution level and the average level of listed companies in the industry. The proposal is subject to consideration at the annual general meeting for 2019 (the "2019 AGM").

Information regarding the record date and book closure date for the entitlement to the final dividend and attendance of the 2019 AGM will be announced in due course.

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

Chairman's Statement (Continued)

PROFIT DISTRIBUTION: (CONTINUED)

Any natural person investor whose H Shares are registered under the name of any such non-individual shareholders and who does not wish to have any corporate income tax to be withheld by the Company may consider transferring the legal title of the relevant H Shares into his or her name and duly lodge all transfer documents with the relevant H Share certificates with the Company's H Share registrar for registration.

Pursuant to the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127), for mainland corporate investors that invest in a company via the Shenzhen-Hong Kong Stock Connect, corporate income tax will be levied according to the law. In particular, for any dividend to be distributed to resident enterprises in the mainland China which hold H shares for more than 12 consecutive months, corporate income tax may be exempted according to the law. Such mainland enterprises shall declare and pay taxes by themselves in respect of such dividends, which will not be withheld by such H share company. In respect of dividends for the H shares of a company invested in by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect, the H share company shall apply to China Securities Depository and Clearing Co., Ltd., which will then provide the H share company with the register of mainland individual investors. The H share company shall withhold an individual income tax at the rate of 20% on such dividends.

For dividends received by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on the Shenzhen Stock Exchange, and before Hong Kong Securities Clearing Company Limited is able to furnish China Securities Depository and Clearing Co., Ltd. with the identity, holding period and other detailed data of the investors in the Hong Kong market, the differentiated tax treatment based on the holding period of shares will not be implemented temporarily. Listed companies shall withhold income tax at the rate of 10% and make withholding filings with the competent tax authorities. For those investors who are tax residents of other countries and the tax rate applicable to dividends is lower than 10% under the tax treaty between China and the relevant countries, such investors may, by themselves or request the withholding agent to act on their behalf to, apply to the competent tax authorities in respect of the listed company for the preferential relevant treatment under the relevant treaties. Once verified by the competent tax authorities, the amount being the difference between the tax withheld and the tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

All investors should consider the above contents carefully. The Company will strictly comply with the relevant PRC tax laws and regulations; and the Final Dividend will only be payable to the shareholders whose names appear on the register of members of the Company. The Company assumes no responsibility or liability whatsoever for confirming the identity of the shareholders of the Company and for any claims arising from any delay in or inaccurate determination of the identity of shareholders of the Company or any disputes over the withholding mechanism.

Chairman's Statement (Continued)

BUSINESS REVIEW:

In 2019, the Company adhered to the three key elements of “reform, efficiency and quality” and focused on “quality improvement, energy conservation and environmental protection, process optimization and intelligent production” to accelerate equipment transformation and upgrading and strive to improve the Company’s market competitiveness and sustainable development.

Main Indicators:



Main Results:

In 2019, the Group achieved an operating income of RMB105,587 million, representing an increase of 0.41% over the previous year. The total profit reached RMB1,972 million, representing a decrease of 80.30% over the previous year. The net profit attributable to shareholders of the Company was RMB1,787 million, representing a decrease of 77.53% over the previous year. The basic earnings per share was RMB0.190, representing a decrease of 77.54% over the previous year.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

1. Strengthening of Collaboration and Interaction and a Record High Output Scale.

By focusing on the systematic coordination and interaction and the strengthening of production interaction of three production lines in Anshan, Yingkou and Chaoyang, the upstream process closely cooperated with the downstream process with rigid connection and rapid response so that a high-level operation of the production scale was maintained, thus achieving the stability and efficiency of the Group's overall production with the production of iron, steel and materials hitting a record high.

In 2019, the Group produced 25,858,100 tons of iron, representing an increase of 4.32% over the previous year; 27,144,000 tons of steel, representing an increase of 3.78% over the previous year; and 25,420,300 tons of rolled steel, representing an increase of 5.34% over the previous year. Sale of rolled steel amounted to 25,916,100 tons, representing an increase of 7.54% as compared with the previous year. The Group achieved a sales-output ratio of 101.95%.

2. Comprehensive Promotion of Reform and the Stimulation of the Dynamic of Development.

The setting of internal management organization and occupational function design was optimized, the scope of management was expanded, the organization and staff arrangement were simplified, and the efficiency of management and operation was improved. As a market entity, the Group is committed to deepen its reform of market operation mechanism and to implement the Group's dominant position in the market. It gradually improved the economic responsibility indicator system by adopting sub-contracting operation for 4 units and 8 production lines represented by small-scale production lines. To stimulate operational vitality and motivation of project management team, the Group conducted contractual management for EPS projects and needle coke projects so that the main responsibility for entire process management of investment projects was guaranteed. The corresponding policies for the market-oriented reform of related industries was perfected, the "one company, one policy" model was used in chemical science, energy science and other relevant units to appropriately delegate power, and the guarantee mechanisms for risk control and responsibility investigation was clarified, so as to highlight the dominant position of the Company in the market and promote the market-oriented, professional and industrial development of related industries.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

3. Perfection of Marketing System and Continuous Improvement of the Marketing Service Ability.

The “1+4+N” marketing model was perfected, the “industry + region” marketing was strengthened. By adhering to the idea of customer-centered and actively improving the collaborative capacity of production, marketing, research and operation as well as innovating the marketing models, appreciation of services was realized.

Brand marketing was highlighted. The market share of cold-rolled household steel, weathering resistant steel, shipbuilding steel, automobile steel, bridge steel and other products maintained the forefront of the industry while industry influence was growing. The tender for Xiong'an new area, Beijing new airport, Beijing Winter Olympic Games and other relevant state key projects was successful. The Company assisted in the Belt and Road initiative by actively participating in biddings of overseas projects. The international influence and popularity of the Company's products were enhanced by winning the bid for projects such as Bangladesh nuclear power station, CNOOC Russia drilling platform, China Laos railway and Guinea railway.

The collaborative platform of automobile steel was established to form a joint effort of Angang automobile steel brand. ZhiLink platform of steel processing center was put into online operation and the interconnection with users' information was realized.

Promoting marketing services based on customers' demand and the relationship with customers was constantly enhanced. By persisting the use of regional sales service providers and steel processing centers as platforms, the high-end and systematic development of processing, distribution and other businesses was continuously promoted. In 2019, the Company's customer call center was put into operation to further optimize the complaint channel for users' complaints and listen to the voices of customers so that customers' complaints can be solved wholeheartedly and professionally. The gap with customers was further shortened by holding a customer exchange conference with the theme of “advance together with you by my side, only good steel is suitable for you”. In 2019, the Company won many outstanding supplier awards such as the “Golden Cube Excellent Supplier” award by Haier Group and Sincere Cooperation Award by Midea Group.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

4. Acceleration of Technology Research and Development (“R&D”) and the Core Competitiveness Was Enhanced.

In order to enhance the core competitiveness, the Company aimed at the state strategies and connected with state key projects. The Company has cooperated with State Power Investment Co., Ltd. (國家電力投資集團有限公司), Central Iron & Steel Research Institute (鋼鐵研究總院), Shanghai Nuclear Engineering Research and Design Institute (上海核工程研究設計院), East Boiler Co., Ltd. (東方鍋爐股份有限公司) to develop products such as steel for wind power, and has formulated the action plan for major issues of technological development in 2019-2021 covering 11 topics as well as clarified R&D directions of 17 “bottlenecks” technologies, with 48 projects focused on being effectively promoted.

Relying on state key laboratories, the cooperation and communication with key universities and downstream companies were strengthened, the Company signed the Articles of Joint Welding Technology Laboratory with Harbin University of Technology, Tianjin University and other universities, and held the listing ceremony of Joint Laboratory of Welding Technology. The preparation of the plan of foreign cooperation projects in 2019 with 50 planning cooperation intentions was completed. 41 technical contracts were signed.

The 316H stainless steel which was successfully developed was applied to the key nuclear island equipment of the 600MW demonstration project; the light dual phase automobile steel DP980-LITE and qualified billet of high aluminum steel by continuous casting process produced in batch and other products (technologies) were launched as the first in the world; the world's first set of coking tail water recycling and NZE technology were successfully developed. At the same time, the production and supply of Angang QU100 bainite steel rail was completed, which was the first one in China and filled the domestic application gap of this steel in this field; and the first launch of FO460, an ultra-high strength and extra-thick product for offshore platform, was realized under the latest DNV standard. The project of “system renovation of hot metal desulfurization and slagging-off” won the first prize in Innovation Method Competition of China. 13 products, such as hot-rolled, wide and thick structural steel plate for bridge, won the metallurgical product quality award.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

5. Perfection of Risk Control System and Further Improvement on the Ability of Risk Prevention and Control.

The system of risk prevention and control was improved, and the plan to prevent and resolve major risks was formulated.

By adhering to the guidelines of “deleveraging, reducing debt, preventing risks, and cutting cost”, the Company met the stated goal for all fund indicators, advancing fund management to a new level. Particularly, asset-liability ratio dropped to 40.16%, a decrease of 1.56 percentage points from the beginning of the year; financing scale continued to shrink, and bank loans decreased by RMB1,533 million; financing cost continued to decline, with the overall financing cost reduced of 3.9%, an average decrease of 0.1 percentage point from the previous year, and financial expenses decreased by RMB378 million; inventory decreased by 25.39% from RMB13,125 million at the beginning of the year to RMB9,793 million; the capital turnover efficiency accelerated, and the turnover rate of current assets and inventory turnover rate increased by 0.6 time and 1.47 times respectively over the previous year.

Managing in accordance with the law and operating in compliance with regulation were promoted. Solid efforts were made to carry out special rectification work such as “one hundred days of hard work”. Investment in safety production and hidden danger control as well as management of relevant parties were strengthened by promoting the construction of “double prevention” system so that the hidden dangers were effectively controlled and safety management level was improved. “Thunderclap action” was carried out, the comprehensive management system of public security has been perfected day by day, and the protection of companies' assets was further strengthened.

6. Adherence to Green Development and New Achievements in Environmental Protection.

The Company adhered to the idea of ecological priority and green development to further perfect the environmental management system. The transformation and upgrading of environmental protection facilities was accelerated, 75 environmental protection projects, such as roofing and closing of pellet yard in Lingshan, fine desulfurization of coke oven gas, were completed and put into use. The concentration and total amount of pollutant emission were further reduced.

In 2019, the Company achieved the goal of zero environmental pollution accidents and “three simultaneities” of environmental protection of construction projects, which were the implementation rate, compliant disposal rate of hazardous wastes and safe utilization rate of radioactive sources, were all 100%. Angang Steel won the honorary title of “Liaoning green factory” and the first prize of contribution award of energy conservation and emission reduction by China Energy Conservation Association.

Chairman's Statement (Continued)

2020 DEVELOPMENT PLAN OF THE COMPANY:

1. Landscape and Development Trend in the Industry

The year 2020 is the year when China will finish building a moderately prosperous society in an all-round way and the 13th Five-year Plan, it is also a crucial year to achieve the first centenary goal, and a year of reform where reform and innovation promote high-quality development.

Macroscopically, the Central Economic Work Conference pointed out that the basic trend of China's economic stability and improvement has not changed. We need to perform the "six stability" work in an all-rounded manner. We need to adhere to problem-orientation, goal-orientation and result-orientation and continue to make efforts to deepen supply side structural reform, so as to ensure the rational growth of economic quantity and steady improvement of economic quality.

From the perspective of iron and steel industry, in 2020, the steel market will still face challenges while real estate investment will slow down and infrastructure investment is expected to meet an upturn. Manufacturing industry is expected to remain stable under the "stable growth" policy and the growth of demand for steel will slow down. With the promotion of ultra-low emission transformation and capacity replacement projects in the iron and steel industry, in 2020, the capacity replacement projects will be put into production intensively, which will bring supply pressure to the market, and the steel price will show a downward turbulent trend, resulting in the continuous narrowing of the profits of the steel companies and the increasingly fierce market competition.

In the beginning of 2020, the pandemic of COVID-19 broke out, and the main downstream steel industry in China was affected to varying degrees with demands dropping sharply in the short term and steel prices decreasing. With the effective control of China's pandemic, it is expected that a strong infrastructure-supporting policy will release consumption, thus preventing domestic steel consumption from significant decline and the long-term impact from domestic outbreak on the steel industry is relatively limited. However, with the spread of the pandemic abroad, the global economy is undergoing a major test. If the pandemic abroad cannot be effectively controlled, then a greater turbulence in the international steel market is likely to occur.

In the face of the impact of the pandemic, the Company actively took countermeasures. The fund security plan during the pandemic prevention and control period was formulated and a number of measures was taken so that the risk of funds was effectively prevented; the impact of factors such as poor transportation was overcome to ensure the stable supply of raw materials and fuels; the market research and judgment of the sales end was strengthened and the production was timely adjusted to ensure the smooth output of products and the delivery of order on time. Since the outbreak of the pandemic, three main production bases which are the Anshan headquarter, Bayuquan and Chaoyang have always maintained continuous and stable production and operation.

Chairman's Statement (Continued)

2020 DEVELOPMENT PLAN OF THE COMPANY: (CONTINUED)

2. Development Strategy of the Company

Development strategy: focusing on “one main line”, optimizing “three layouts” and enhancing “six abilities”.

➤ One main line

The development path of “intensification, reduction, intelligence @customers” was implemented to achieve high-quality development.

Guided by the new development ideas, we will focus on reform and innovation, optimize industrial layout and enhance core competitiveness to achieve high-efficiency, high-benefit and sustainable high-quality development.

“Intensification”: adhere to the coordination among bases and the concentration within the base, we will optimize the industrial structure and spatial layout and promote product upgrading to improve the efficiency of all factor production and the ability to create value.

“Reduction”: We will optimize and simplify product process and manufacturing process, develop and apply leading technology, implement cost reform and promote resource investment, energy consumption and emission reduction to realize green development.

“Intelligence”: to realize intelligent operation and enhance competitive advantage by strengthening IT empowerment and building intelligent factories.

“@ customer”: adhere to market orientation, focus on customer-driving, implement service-leading and pursue value-sharing.

Chairman's Statement (Continued)

2020 DEVELOPMENT PLAN OF THE COMPANY: (CONTINUED)

2. Development Strategy of the Company (Continued)

- Three layouts
 - Space. With the objective of reasonable layout, we will optimize the layout of steel manufacturing and services, do a good job in the construction of “base areas” in Northeast China and implement capacity transfer to promote the upgrading of coastal bases. We will also strengthen the technical transformation of inland boutique bases and seize the opportunity to expand to areas where the downstream industry development gathers to realize the coordinated development of multiple bases, optimize the adjustment structure and improve the market competitiveness.
 - Products. In pursuit of product diversity, we will implement the strategy of differentiated, specialized and high-end development of iron and steel products, focus on service-leading, scientific and technological innovation, quality improvement and cost reduction, we will also continue to strengthen the series of high-quality products and strengthen breakthroughs in key areas and key products as well as increase the proportion of unique leading products and strengthen the comprehensive competitiveness of products to achieve and maintain the market leading position of the series of high-quality iron and steel products.
 - Industry. Taking industrial coordination as the direction, relying on the resource advantages of the iron and steel industry chain and using the market as the guide, we will focus on the main industry, strengthen the innovation of technology, mode and business form. We will also strengthen and optimize the relevant industries with the iron and steel service industry as the focus to create an ecosystem of coordinated industrial development, cultivate new growth points and form new driving forces.

Chairman's Statement (Continued)

2020 DEVELOPMENT PLAN OF THE COMPANY: (CONTINUED)

2. Development Strategy of the Company (Continued)

- Six abilities
 - Efficiency improvement. We will deepen management reform, innovate management mode and operation mechanism, optimize human resources and strengthen manufacturing coordination. We will also establish an effective incentive mechanism combining short, medium and long term to stimulate potential and release energy to improve all factor productivity and create an example of intensive and efficient steel company.
 - Cost reform. We will strengthen the cost strategy. Using the advanced information management system as the platform and the management innovation and technological progress as the driving force. We will implement the cost control for the whole process to realize the goal of cost reformation of facing the market, facing the process and continuously increasing the value, making the reformation the cornerstone of high-quality development.
 - Service leading. Adhere to customer-oriented, we will build service brand, comprehensive service system, innovate service mode and enhance service ability to become an excellent service provider of steel materials and improve market competitiveness and market share of products.
 - Leading technology. We will strengthen the construction of innovation system, focus on demand upgrading, low cost and high quality. We will strengthen forward-looking, breakthrough and subversive innovation. We will also break through the bottleneck of core technology and bottleneck technology that restrict development, strengthen knowledge protection and accumulation, innovate iteratively, and strive to become the technical leader of the steel industry.
 - Intelligent production. We will promote the deep integration and innovation of new generation information technology and steel industry chain, build the whole-process intelligent steel plant and improve the intelligent operation level of the entire value chain to become the successful example of intelligent steel production in the country and significantly improve the competitive advantage.
 - Ecological integration. Adhere to green recycling and low-carbon development, we will build ecological steel plants and deepen co-construction to become an example of steel plant that demonstrates harmonious coexistence with the city and common development with employees.

Chairman's Statement (Continued)

2020 DEVELOPMENT PLAN OF THE COMPANY: (CONTINUED)

3. Operation plan for the year of 2020

The main line of work in 2020 is: focusing on improving competitiveness with high-quality development as the core, focusing on “intensification, reduction, intelligent @ customers” to reform and innovate, and strive to “surpass the market and ourselves”. In order to achieve the above goals, we should “consistently strengthen the Party's construction and strive to promote the seven reforms”.

- (1) Promoting ideological reform to build a consensual idea of high-quality development.
- (2) Promoting industrial reform to gather strong momentum of high-quality development.
- (3) Promoting efficiency reform to inject strong dynamic of high-quality development.
- (4) Promoting cost reform to improve the competitiveness of high-quality development.
- (5) Promoting scientific reform to activate the first driving force of high-quality development.
- (6) Promoting marketing reform to polish the brand of Angang of high-quality development.
- (7) Promoting management reform to implement the targeting responsibility of high-quality development.

4. Plans for funding requirements

In 2020, the proposed investments for fixed assets and external investments of the Group will amount to RMB4,339 million.

In 2020, the sources of funding for the Group mainly include internal fund, supplemented by bank loans and issuing bonds.

Wang Yidong
Chairman

Anshan, PRC
27 March 2020

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements for the year ended 31 December 2019.

I. PRINCIPAL BUSINESSES

The Company is mainly engaged in steel rolling and processing industry. The Company's products have diversified structure and include hot rolled sheets, medium and thick plates, cold rolled sheets, galvanized steel sheets, color coating plates, cold rolled silicon steel, heavy rails, heavy section, seamless steel pipes and wire rods and other product lines which has a comprehensive product portfolio with a vast variety of products and complete specifications,. These products are widely used in industries such as machinery, metallurgy, petroleum, chemical industry, coal, electric power, railway, shipbuilding, automobile, construction, home electrical appliances and aviation.

Composition of the principal businesses in 2019

Composition of operating income

Unit: RMB million

	2019		2018		Year-on-year increase/decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total operating income	105,587	100	105,157	100	0.41
By industry					
Steel rolling and processing industry	105,096	99.53	104,849	99.71	0.24
Others	491	0.47	308	0.29	59.42
By product					
Steel products	98,030	92.84	97,296	92.52	0.75
Others	7,557	7.16	7,861	7.48	-3.87
By geographical location					
China	98,511	93.30	99,371	94.50	-0.87
Export sales	7,076	6.70	5,786	5.50	22.30

Report of the Directors (Continued)

I. PRINCIPAL BUSINESSES (CONTINUED)

Composition of the principal businesses in 2019 (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)
By industry						
Steel rolling and processing industry	105,096	96,371	8.30	0.24	9.71	-7.92
By product						
Hot-rolled sheets products	31,854	27,926	12.33	-1.47	9.51	-8.78
Cold-rolled sheets products	34,425	32,196	6.47	-0.18	10.62	-9.13
Medium and thick plates	17,198	16,013	6.89	3.36	11.19	-6.56
By geographical location						
China	98,020	89,696	8.49	-1.05	8.22	-7.84
Export sales	7,076	6,675	5.67	22.30	34.44	-8.52

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

Applicable Not applicable

Report of the Directors (Continued)

I. PRINCIPAL BUSINESSES (CONTINUED)

Composition of the principal businesses in 2019 (Continued)

Composition of operating costs

Unit: RMB million

Industry classification	Item	2019		2018		Year-on-year increase/decrease in operating cost (percentage point)
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Steel rolling and processing industry	Raw materials and fuel	75,285	78.12	71,330	81.20	-3.08
	Others	21,086	21.88	16,515	18.80	3.08
Total		96,371	100	87,845	100	-

II. WHETHER THE SCOPE OF CONSOLIDATION HAD CHANGED DURING THE REPORTING PERIOD

Applicable Not applicable

ASPD-CC, a subsidiary of the Company, established ASPD-HZ, with 100% shareholding and a registered capital of RMB118 million.

III. MATERIAL CHANGES OR ADJUSTMENT IN BUSINESSES, PRODUCTS OR SERVICES DURING THE REPORTING PERIOD

Applicable Not applicable

Report of the Directors (Continued)

IV. THE PROFIT DISTRIBUTION PROPOSAL OF THE COMPANY FOR THE REPORTING PERIOD

Net profit attributable to shareholders of the Company amounted to RMB1,787 million for the year of 2019, provision of statutory surplus reserve amounted to RMB95 million, the Group's undistributed profit amounted to RMB5,551 million as at 31 December 2019, in accordance with the PRC ASBE, as audited and confirmed by ShineWing Certified Public Accountants (Special General Partnership). The Board recommended distributing RMB536,099,261 of profits to all shareholders of the Company by way of cash dividend of RMB0.57 (tax inclusive) per 10 shares on the basis of the total share capital of 9,405,250,201 shares, which accounted for 30% of the net profit attributable to shareholders of the Company. The funds used for profit distribution were from the Company's own funds. In the case of any change in the total share capital of the Company as at the record date of the dividend distribution in 2019, the total amount of distributable profits to all shareholders of the Company will remain unchanged, while the cash dividend per share will be adjusted based on the total share capital of the Company as at the record date of the dividend distribution. This proposal shall be subject to consideration and approval at the 2019 AGM and is expected to be distributed on or around 30 June 2020.

V. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEES

1. 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
Chaoyang Iron and Steel	Production enterprise	Steel rolling and processing industry	8,000	5,263	4,093	8,700	820	735
Chemical Technology	Production enterprise	Coking gas purification, coal chemical products	2,500	3,087	2,905	8,055	491	359

Report of the Directors (Continued)

V. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEES (CONTINUED)

2. 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
ASPD-HZ	To provide better localization and JIT services for automobile manufacturing companies	New investment	To expand sales channels for automotive steel products and increase automobile customer adhesion

Note: ASPD-HZ is invested and established by ASPD-CC, a subsidiary of the Company.

Report of the Directors (Continued)

VI. MAJOR CUSTOMERS AND SUPPLIERS

Sales to major customers of the Company

Total sales amount of the top five customers (<i>RMB million</i>)	31,632
Proportion of total sales amount of the top five customers over total sales amount for the year (%)	30.09
Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year (%)	26.71

Top five customers of the Company

No.	Customer name	Sales amount (<i>RMB million</i>)	Proportion of sales amount over total sales amount for the year (%)
1	Customer A	7,612	7.24
2	Customer B	7,225	6.87
3	Customer C	7,051	6.71
4	Customer D	6,190	5.89
5	Customer E	3,554	3.38
Total		31,632	30.09

Other explanations on major customers: the top five customers include companies under the control of the same parent company and include related parties of the Company.

Major suppliers of the Company

Total purchase amount from the top five suppliers (<i>RMB million</i>)	34,109
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	36.98
Proportion of procurement from related parties of total purchase amount of the top five suppliers over total purchase amount for the year (%)	32.92

Report of the Directors (Continued)

VI. MAJOR CUSTOMERS AND SUPPLIERS (CONTINUED)

Top five suppliers of the Company

No.	Supplier name	Purchase amount(excluding tax) (RMB million)	Proportion of purchase amount over total purchase amount for the year (%)
1	Supplier A	12,840	13.92
2	Supplier B	7,573	8.21
3	Supplier C	6,068	6.58
4	Supplier D	3,882	4.21
5	Supplier E	3,746	4.06
Total		34,109	36.98

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

In 2019, save as disclosed in this annual report, none of the Directors, Supervisors and their associates nor any shareholder (who 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 2019.

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors of the Eighth Session of the Board and Supervisors of the Eighth Session of the Supervisory Committee entered into a service contract with the Company for a term from 28 May 2019 (or the appointment date of the Director or Supervisor) until the election of Directors or Supervisors for the next session of the Board or Supervisory Committee at the 2020 annual general meeting of the Company, and the term of the Eighth Session of the Board and the Eighth Session of the Supervisory Committee were three years. None of the Directors or Supervisors entered into a service contract with the Company, under which the Company shall make any compensation (except statutory compensation) to the Director or Supervisor if such contract is terminated within one year of its execution.

VIII. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

Report of the Directors (Continued)

IX. PRE-EMPTIVE RIGHTS

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

X. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

None of the Directors and Supervisors had any material interest in any contract to which the Company, the holding companies or subsidiaries of the holding companies was a party in 2019.

XI. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

XII. CHAPTER 13 DISCLOSURE OF THE HONG KONG LISTING RULES

The Directors confirmed that there was no matter occurring in 2019 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor did the Company sign loan agreements imposing specific performance obligations on the controlling shareholders.

XIII. SUFFICIENT PUBLIC FLOAT

According to the information 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 had been maintaining sufficient public float as required by the Hong Kong Listing Rules during the year.

XIV. FIXED ASSETS

Changes in the fixed assets during the year are set out in note 6.12 to financial statements on pages 266 to 267 of this annual report.

XV. OPERATING RESULTS

The results of the Company for the year ended 31 December 2019 and its financial position as at that date are set out in the financial statements included in this annual report.

Report of the Directors (Continued)

XVI. SHARE CAPITAL

Changes in share capital during the year are set out in note 6.33 to the financial statements on page 289 of this annual report.

XVII. RESERVES

Changes in the reserves during the year are set out in note 6.36 to the financial statements on page 291 of this annual report.

XVIII. EMPLOYEE RETIREMENT SCHEME

Details of the employee retirement scheme of the Company are set out in note 6.23 to the financial statements on pages 279 to 280 of this annual report.

XIX. CONTINUING CONNECTED TRANSACTIONS

Details of Continuing Connected Transactions of the Company for the year are set out on pages 90 to 98 and pages 327 to 335 in notes 11.5 to the financial statements of this annual report.

XX. FIVE YEARS SUMMARY

A summary of the results and balance sheet of the Company for five years are set out on page 364 of this annual report.

XXI. AUDITOR

ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合伙)) was appointed as the Company's auditor in 2019.

XXII MANAGEMENT CONTRACT

During the reporting period and up to the date of this annual report, the Company has not entered into any contract in relation to the management and administration of the whole or any significant part of its business.

By order of the Board
Wang Yidong
Chairman

27 March 2020

Report of the Supervisory Committee

During the year, the Supervisory Committee 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. SUPERVISORY COMMITTEE MEETINGS

In 2019, Members of the Supervisory Committee attended one general meeting and five Board meetings of the Company as non-voting participants and convened five Supervisory Committee meetings. The Supervisory Committee has given independent opinions and recommendations on the basis of their sufficient knowledge of the Company's major production and operation decisions as well as implementation process.

No.	Meetings	Date of the meeting	Matters considered
1	The 12th meeting of the 7th Session of the Supervisory Committee	18 March 2019	<ol style="list-style-type: none">1. The Report of the Supervisory Committee for 2018 was approved.2. The Proposal in relation to the Remuneration of the Supervisors for 2018 was approved.3. The Proposal in relation to Nominating Shareholder Representatives as the Candidates for Supervisors of 8th Session of the Supervisory Committee was approved.4. 2018 Annual Report and its summary were approved.5. The 2018 Self-assessment Report on Internal Control was approved.
2	The 13th meeting of the 7th Session of the Supervisory Committee	29 April 2019	<ol style="list-style-type: none">1. 2019 First Quarterly Report of the Company and its text were approved.
3	The 1st meeting of the 8th Session of the Supervisory Committee	28 May 2019	<ol style="list-style-type: none">1. The Proposal in relation to Electing Chairman of the 8th Session of the Supervisory Committee was approved.
4	The 2nd meeting of the 8th Session of the Supervisory Committee	30 August 2019	<ol style="list-style-type: none">1. 2019 Half-year Report and its summary were approved.2. The Proposal in relation to the changes in accounting policies of the Company were approved.
5	The 3rd meeting of the 8th Session of the Supervisory Committee	29 October 2019	<ol style="list-style-type: none">1. 2019 Third Quarterly Report and its text were approved.

Report of the Supervisory Committee (Continued)

II. SUPERVISION OVER CORPORATE GOVERNANCE AND OPERATION

In 2019, 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 the monitoring issues during the Reporting Period.

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

1. The Supervisory Committee was, based on its examination, of the opinion that the procedures by which the Board prepared and considered the 2019 annual report complied with laws, administrative regulations and the requirements of CSRC and the contents of the annual report were 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 complied with the 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 disposals 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 erosion of 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 or any erosion of the Company's assets.

On behalf of the Supervisory Committee

Wang Baojun

Chairman of the Supervisory Committee

27 March 2020

Discussion and Analysis of Operations

I. ANALYSIS OF PRINCIPAL BUSINESSES

1. Overview

Unit: RMB million

Item	Reporting Period	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared with the corresponding period of the previous year		Explanation and reasons for significant change
				(%)	
Operating income	105,587	105,157	0.41	-	
Operating costs	96,782	88,126	9.82	-	
Marketing expenses	3,064	3,067	-0.10	-	
Administrative expenses	1,331	1,266	5.13	-	
Financial expenses	1,093	1,471	-25.70	-	
R&D expenditure	443	483	-8.28	-	

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

1. Overview (Continued)

Item	Reporting Period	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Total profit	1,972	10,008	-80.30	The total profit of the Company and the net profit attributable to the shareholders of the Company were significantly lower than that of the previous year, which was mainly due to (i) China's economy is in the transition from high-speed growth to high quality development, the economic growth is slowing down, the demand for steel products is declining and the steel price is running at a low level. The demand for steel from downstream industries such as domestic automobile, household electrical appliances and real estate decreased, which affected the year-on-year decline of steel price; (ii) affected by the demand, raw material prices have increased significantly compared with the previous year, the two ends of purchase and sale have been pressured, the space for profit of steel companies has been narrowed, and the level of profit has declined compared with the previous year; (iii) the accrued credit impairment loss of bank acceptance bills issued by certain financial companies that are not paid at maturity was RMB338 million.
Net profit attributable to shareholders of the Company	1,787	7,952	-77.53	

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

1. Overview (Continued)

Item	Reporting Period	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Net cash flow	2,517	-516	587.79	The net increase in cash and cash equivalents increased by RMB3,033 million as compared to the same period of the previous year, which was mainly due to (i) increase of RMB1,726 million in net cash flow from operating activities over the same period of the previous year; (ii) increase of RMB616 million in net cash flow from investing activities over the same period of the previous year; (iii) increase of RMB706 million in net cash flow from financing activities over the same period of the previous year; and (iv) decrease of RMB15 million in impact of exchange rate changes on cash flow over the same period of the previous year.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

2. Income and cost

(1) Composition of operating income

Unit: RMB million

	2019		2018		Year-on-year increase/ Decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total Operating Income	105,587	100	105,157	100	0.41
By industry					
Steel rolling and processing industry	105,096	99.53	104,849	99.71	0.24
Others	491	0.47	308	0.29	59.42
By product					
Steel products	98,030	92.84	97,296	92.52	0.75
Others	7,557	7.16	7,861	7.48	-3.87
By geographical location					
China	98,511	93.30	99,371	94.50	-0.87
Export sales	7,076	6.70	5,786	5.50	22.30

Discussion and Analysis of Operations (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)
By industry						
Steel rolling and processing industry	105,096	96,371	8.30	0.24	9.71	-7.92
By products						
Hot-rolled sheets products	31,854	27,926	12.33	-1.47	9.51	-8.78
Cold-rolled sheets products	34,425	32,196	6.47	-0.18	10.62	-9.13
Medium and thick plates	17,198	16,013	6.89	3.36	11.19	-6.56
By geographical locations						
China	98,020	89,696	8.49	-1.05	8.22	-7.84
Export Sales	7,076	6,675	5.67	22.30	34.44	-8.52

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

Applicable Not applicable

Discussion and Analysis of Operations (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

Industry Classification	Item	2019	2018	Year-on-year increase/decrease (%)
Steel rolling and processing industry	Sales volume (0'000 tons)	2,591.61	2,409.80	7.54
	Production volume (0'000 tons)	2,542.03	2,413.07	5.34
	Stock volume (0'000 tons)	82.47	120.06	-31.31

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

The inventory was 31.31% lower than that of the previous year, which was mainly because in order to improve the efficiency of capital use and strengthen the pressure control of the occupation of working capital, the Company strengthened the sales force and reduced the occupation of inventory through the prediction of the steel market to realize the reduction of the cost of capital use.

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

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

2. Income and cost (Continued)

(5) Composition of operating costs

Unit: RMB million

Industry classification	Item	2019	As a	2018	As a	Year-on-year
		Amount	percentage of operating costs	Amount	percentage of operating costs	increase/decrease in operating costs
			(%)		(%)	(percentage point)
Steel rolling and processing industry	Raw materials and fuel	75,285	78.12	71,330	81.20	-3.08
	Others	21,086	21.88	16,515	18.80	3.08
	Total	96,371	100	87,845	100	-

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

Applicable Not applicable

ASPD-CC, a subsidiary of the Company, established ASPD-HZ, with 100% shareholding and a registered capital of RMB118 million.

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

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

2. Income and cost (Continued)

(8) Major customers and suppliers

Sales to major customers of the Company

Total sales amount of the top five customers (<i>RMB million</i>)	31,632
Proportion of total sales amount of the top five customers over total sales amount for the year (%)	30.09
Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year (%)	26.71

Top five customers of the Company

No.	Customer name	Sales amount (<i>RMB million</i>)	Proportion of sales amount over total sales amount for the year (%)
1	Customer A	7,612	7.24
2	Customer B	7,225	6.87
3	Customer C	7,051	6.71
4	Customer D	6,190	5.89
5	Customer E	3,554	3.38
Total		31,632	30.09

Other explanations on major customers: the top five customers include companies under the control of the same parent company and include related parties of the Company.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

2. Income and cost (Continued)

(8) Major customers and suppliers (Continued)

Major suppliers of the Company

Total purchase amount from the top five suppliers (<i>RMB million</i>)	34,109
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	36.98
Proportion of procurement from related parties of total purchase amount of the top five suppliers over total purchase amount for the year (%)	32.92

Top five suppliers of the Company

No.	Customer name	Sales amount (<i>RMB million</i>)	Proportion of sales amount over total sales amount for the year (%)
1	Supplier A	12,840	13.92
2	Supplier B	7,573	8.21
3	Supplier C	6,068	6.58
4	Supplier D	3,882	4.21
5	Supplier E	3,746	4.06
Total		34,109	36.98

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

In 2019, saved as disclosed in this annual results announcement, none of the directors or supervisors whose associates or any shareholders (who hold 5% or more of the Company's shares as known to the Board) has an interest in the Company's top five suppliers or customers.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

3. Expenses

Unit: RMB million

Financial indicators	2019	2018	Increase/ decrease in the Reporting Period as compared with the corresponding period of the previous year (%)	Explanations on material changes
Marketing expenses	3,064	3,067	-0.10	–
Administrative expenses	1,331	1,266	5.13	–
Financial expenses	1,093	1,471	-25.70	–
R&D expenditure	443	483	-8.28	–
Income tax expenses	212	2,056	-89.69	This was mainly due to (i) the decrease of total profit compared with the previous year resulting in the decrease of current income tax of RMB333 million; (ii) the decrease of RMB1,511 million affected by deferred income tax adjustment.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

4. R&D expenditure

(1) Key points of technology and new product development

In 2019, Angang Steel realized RMB1,558 million in R&D expenditure. In order to ensure the effective implementation of R&D expenditure in technology, 7 batches of R&D projects including national projects, provincial projects, leading plan, independent management project of technology center and Beijing Branch CAS project were issued, which includes 145 projects (subjects). In the year, 44 projects were set up with swift action, 68 scientific research projects were set up and demonstrated and 161 scientific research projects were completed and checked. In order to continuously improve the efficiency of R&D expenditure, a target plan for R&D cost and technology expenses in 2019 was formulated. The Notice on Launching the Key Projects of Reducing Technology Cost and Increasing Efficiency in 2019 was issued, three batches of plans about reducing technology cost and increasing efficiency were formed, and 596 projects of reducing technology cost and increasing efficiency was implemented during the year.

(2) Remarkable achievements in product technology development

DP980-LITE, a new generation of dual-phase automobile steel with high strength and light-weight, was launched as the first in the world; 90mm ultrawide crack-resistant steel was launched as the first in China, which supplied 9 largest 23000TEU container ships in the world; FO460, a 68mm large thickness steel with ultra-high strength and low-temperature, was launched as the first in China, which supplied the FPSO project of Shell Company contracted for the first time in China; 316H stainless steel was applied to the nuclear island key equipment of 600MW demonstration project; Q420qFNH, a weather-resistant steel with high performance while in extremely cold area supplied the Heihe Bridge project of China-Russia Bridge; the production and supply of Angang QU100 bainite rail was completed, which was the first one in China and filled the domestic application gap of this steel in this field; titanium steel composite plate supplied the demonstration and application project of anti-collision pier of Chizhou Yangtze River Bridge. The world's first set of coking tail water recycling and NZE technology was successfully developed; spiral electromagnetic stirring equipment for secondary cooling (of blooms) was put into operation on line, becoming the first set of equipment in the world; coal blending expert system went online and became the first set of equipment in China.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

4. R&D expenditure (Continued)

- (2) Remarkable achievements in product technology development (Continued)

The whole set of production technology of die steel composite billet developed independently by Bayuquan Iron & Steel Branch Company has a welding qualification rate of 75%; the static eddy current array probe was launched as the first in China to detect all kinds of defects on the rail bottom surface of 0-180°. New progress was made in the longevity and high efficiency of blast furnaces; the longevity of 7 blast furnaces set up the record of Angang; the technology of high efficiency and low energy consumption of 5 blast furnace was developed to effectively improve the utilization coefficient of blast furnaces. 6 projects including the “R&D and application of new technology of continuous casting of micro alloy steel billet with no flaws on the surface” won the metallurgical technology award, and 7 projects including “R&D and application of rolling intelligent-control system to improve the working efficiency of electrical silicon steel” won the Liaoning technology award. 11 projects including “Development and Application of Key Technology of Steel for Bogies of High-performance Series of Angang Steel” won the technology award of Angang Group.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

4. R&D expenditure (Continued)

- (2) Remarkable achievements in product technology development
(Continued)

Item	2019	2018	Year-on-year increase/ decrease (%)
Number of R&D staff (<i>person</i>)	1,630	1,638	-0.49
Percentage of the number of R&D staff in the Company (%)	5.56	5.47	Increased by 0.09 percentage point
Amount of R&D expenditure (<i>RMB million</i>)	1,558	1,500	3.87
Percentage of R&D expenditure in operating income (%)	1.48	1.43	Increased by 0.05 percentage point
Amount of capitalization of R&D expenditure (<i>RMB million</i>)	-	-	-
Percentage of capitalization of R&D expenditure in the R&D expenditure (%)	-	-	-

Reasons for the significant change in the proportion of total R&D expenditure in 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

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

5. Cash flow

Unit: RMB million

Item	2019	2018	Year-on-year increase/ decrease (%)
Sub-total of cash inflow from operating activities	96,798	87,018	11.24
Sub-total of cash outflow from operating activities	86,778	78,724	10.23
Net cash flow from operating activities	10,020	8,294	20.81
Sub-total of cash inflow from investing activities	280	558	-49.82
Sub-total of cash outflow from investing activities	3,546	4,440	-20.14
Net cash flow from investing activities	-3,266	-3,882	15.87
Sub-total of cash inflow from financing activities	17,448	21,564	-19.09
Sub-total of cash outflow from financing activities	21,685	26,507	-18.19
Net cash flow from financing activities	-4,237	-4,943	14.28
Net increase of cash and cash equivalents	2,517	-516	587.79

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

The cash inflow from investment activities for the year decreased by RMB278 million as compared to the previous year, which was mainly due to (i) decrease in cash received from cash dividends over the previous year; and (ii) decrease in the revenue of futures contracts.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

5. Cash flow (Continued)

- Explanations of the main factors for significant year-on-year changes of the relevant figures: (Continued)

The net increase in cash and cash equivalents increased by RMB3,033 million as compared to the same period of the previous year, which was mainly due to (i) increase of RMB1,726 million in net cash flow from operating activities over the same period of the previous year; (ii) increase of RMB616 million in net cash flow from investing activities over the same period of the previous year; (iii) increase of RMB706 million in net cash flow from financing activities over the same period of the previous year; and (iv) decrease of RMB15 million in impact of exchange rate changes on cash flow over the same period of the previous year.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

5. Cash flow (Continued)

- Explanations on reasons for significant differences in cash flow from operating activities and net profit of the Company during the Reporting Period:

Unit: RMB million

Items	This Year
Reconciliation of net profit to cash flows from operating activities:	
Net profit	1,760
Add: Provision for impairment on assets	-137
Credit impairment loss	340
Depreciation of fixed assets	3,519
Amortization of intangible assets	179
Depreciation of right to use assets	80
Loss on disposal of fixed assets, intangible assets and other non-current assets (“-” for gains)	-3
Loss on retirement of fixed assets (“-” for gains)	57
Loss on the change of fair value (“-” for gains)	-65
Financial expenses (“-” for gains)	1,043
Investment loss (“-” for gains)	-166
Decrease in deferred tax assets (“-” for increase)	-274
Increase in deferred tax liabilities (“-” for decrease)	10
Decrease in inventories (“-” for increase)	3,357
Decrease in operating receivables (“-” for increase)	1,418
Increase in operating payables (“-” for decrease)	-1,104
Others	6
Net cash flow from operating activities	10,020

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

6. Liquidity and financial resources

As at 31 December 2019, the Group had long-term loans (exclusive of loans due within one year) of RMB3,392 million with interest rates ranging from 4.275 – 5.225% per annum. The terms of such loans range from 3 to 5 years, and the loans will fall due in 2023. The loans are mainly used for replenishing the working capital. The Group's long-term loans due within one year amounted to RMB1,003 million.

In 2019, 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 2019, 20 financial institutions which had strategically cooperated with the Company provided credit facilities to the Company. The Group is capable of repaying its debts when they become due.

As at 31 December 2019, cash and bank balances of the Group denominated in foreign currencies was RMB1 million (31 December 2018: RMB1 million).

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

Unit: RMB million

	31 December 2019	31 December 2018
RMB	4,670	2,153
US dollars	1	1
HK dollars	–	
Others	–	
Total	4,671	2,154

As at 31 December 2019, the Group had a total capital commitment of RMB2,453 million, which was primarily attributable to the construction and renovation contracts of RMB2,370 million entered into but not yet performed or partially performed and foreign investment contracts of RMB83 million entered into but not yet performed or partially performed.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

7. Pension scheme

In accordance with the requirements of national insurance policies of the PRC, the Group provides all employees with basic pension (which are contributed as to 16% 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 Group makes contribution to the basic pension scheme at 16% of the gross salary recognized as cost (expenses) of the previous month. In 2019, the total contribution to the basic pension scheme amounted to RMB696 million (including the employer's contribution of RMB486 million and the employees' contribution of RMB210 million).

In addition, the Group maintains corporate annuity scheme for all of its employees, the contribution to which is made by the Group at 4% of the gross salary recognized as cost (expenses) of the previous year. The Group also made compensation to the employees for their years of service prior to the establishment of the corporate annuity scheme. In 2019, the contribution to the corporate annuity scheme amounted to RMB193 million (including the employer's contribution of RMB122 million and the employees' contribution of RMB71 million) and the total compensation to the employees for their years of service prior to the establishment of the corporate annuity scheme amounted to RMB45 million.

8. Foreign exchange risk

The Group carries out import and export through agent trade by Angang International Trade for its main foreign currency transactions including the export of sales products, import of raw materials and engineering equipment. Foreign currency risk is mainly reflected in the impact of exchange rate changes when settling through agent on sales and procurement costs.

The Group issued HK\$1.85 billion of H-share convertible bonds, the foreign exchange risk of which depends on the exchange rate of the Renminbi against the Hong Kong dollar at the time of redemption of the unconverted bonds.

Discussion and Analysis of Operations (Continued)

II. ANALYSIS OF NON-PRINCIPAL BUSINESSES

Unit: RMB million

Items	Amount	As a Percentage Of total profit (%)	Reasons for the changes	Sustainable or not
Investment income	166	8.42	Mainly included investment income from long-term equity investments accounted by equity method and other equity instruments during holding period.	Yes
Gains arising from changes in fair value	65	3.30	Mainly included changes in fair value of derivative financial instruments and embedded derivative financial instruments.	Yes
Impairment losses on asset	137	6.95	Mainly included reversal of losses from decline in value of inventories.	No
Credit impairment loss ("-" for losses)	-340	-17.24	Mainly included credit impairment loss on account receivables.	No
Other gains	82	4.16	Mainly included gains on government grants.	Yes
Non-operating income	15	0.76	Mainly included gains on disposal of non-current assets.	Yes
Non-operating expenses	68	3.45	Mainly included losses on disposal of non-current assets.	Yes

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in composition of assets

Unit: RMB million

Items	End of 2019		End of 2018		Increase/ decrease (percentage point)	Explanation for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary capital	4,671	5.32	2,154	2.39	2.93	–
Notes receivables	2,635	3.00	7,184	7.98	-4.98	–
Account receivables	2,569	2.93	2,460	2.73	0.20	–
Inventories	9,793	11.15	13,125	14.58	-3.43	–
Long-term equity investments	2,894	3.30	2,803	3.11	0.19	–
Fixed assets	50,966	58.04	50,064	55.61	2.43	–
Construction in progress	1,549	1.76	1,458	1.62	0.14	–
Short-term loans	12,195	13.89	13,180	14.64	-0.75	–
Long-term loans	3,392	3.86	2,295	2.55	1.31	–

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY

2. Assets and liabilities measured at fair value

Unit: RMB million

Items	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
Financial assets							
Of which:							
1. Financial assets measured at fair value through profit and loss (excluding derivative financial assets)	35	3	-	-	-	-	38
2. Derivative financial assets	1	-1	-	-	-	-	-
3. Other credit investment	-	-	-	-	-	-	-
4. Other equity instrument investment	519	-	-373	-	-	-	465
Sub-total of financial assets	555	2	-373	-	-	-	503
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	555	2	-373	-	-	-	503
Financial liabilities	-3	3	-	-	-	-	-

Material changes in measurement of major assets during the Reporting Period

Yes

No

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY

3. Gearing ratio

As at 31 December 2019 and 31 December 2018, the Group's ratio of equity to liability was 1.49 times and 1.40 times, respectively.

4. Restrictions on assets as at the end of the Reporting Period

The Group pledged notes receivable with carrying amount of RMB198 million to bank to obtain notes payable of RMB198 million for a pledge with term from December 2019 to May 2020.

5. Contingent liabilities

As at 31 December 2019, the Group had no contingent liabilities.

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 (RMB million) <i>(RMB million)</i>	Change <i>(%)</i>
198	9,280	-97.87

2. Significant equity investments made during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

4. Financial asset investments

(1) Securities investments

Stock type	Stock code	Abbreviation	Initial Investment (RMB million)	Accounting measurements	Profit or loss on fair value		Changes in fair value reported in equity (RMB million)	Purchase amount for the current period (RMB million)	Disposal amount for the current period (RMB million)	Profit or loss during the Reporting Period (RMB million)	Book value at the end of the period (RMB million)	Accounting item	Source of funds
					Book value at the beginning of the period (RMB million)	change for the current period							
Shares	600961	Zhuye Group(株冶集團)	81	Measured at fair value	35	3	-	-	-	3	38	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	Date of commencement							
Angang Steel	None	No	Futures investment	1	29 April 2015	-	1,944	2,012	-	164	0.14	-25
Total				1	-	-	1,944	2,012	-	164	0.14	-25

Discussion and Analysis of Operations (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 18 March 2019, the resolution in relation to the Company's 2019 Annual Hedging Business Amount was approved at the 53rd meeting of the Seventh Session of the Board.
Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting	None

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

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.)

- (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.
- (2) As the category of position held has a sufficient liquidity, there is no liquidity risk.
- (3) The Futures Exchange provides credit guarantee for the category of position held, thus the credit risk is minimal.
- (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.

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.

Discussion and Analysis of Operations (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	Deformed bar, hot-rolled coil, quoted on the Shanghai Futures Exchange; iron ore, coking coal and coke quoted on the Dalian Commodity Exchange; on 2 January 2019, the settlement prices of main connected contracts for deformed bar, hot-rolled coil, copper, nickel, iron ore, coking coal and coke were RMB3,389/ton, RMB3,306/ton, RMB491.5/ton, RMB1,159.5/ton and RMB1,885/ton, respectively; on 31 December 2018, the settlement prices of main connected contracts for deformed bar, hot-rolled coil, iron ore, coking coal and coke were RMB3,558/ton, RMB3,590/ton, RMB646.5ton, RMB1,164/ton and RMB1,871.5/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, iron ore, coking coal and coke were +RMB169/ton, +RMB284/ton, +RMB155/ton, +RMB4.5/ton and -RMB13.5/ton, respectively.
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

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

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 of the Company, 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 the Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and clarified internal control procedures such as the business operation procedures, approval process and risks prevention and control, thereby providing assurance for the Company's control of hedging related risks.
- (3) The Company confirmed that the maximum amount and the types of products for trading under the annual hedging guarantees were reasonable and in line with the actual situation of production and operation of the Company, and thus, favorable to the Company's reasonable control over trading risks.

Discussion and Analysis of Operations (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

Applicable Not applicable

VI. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

1. 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
Chaoyang Iron and Steel	Production enterprise	Steel rolling and processing industry	8,000	5,263	4,093	8,700	820	735
Chemical Technology	Production enterprise	Coking gas purification, coal chemical products	2,500	3,087	2,905	8,055	491	359

Discussion and Analysis of Operations (Continued)

VI. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES (CONTINUED)

2. Acquisition and disposal of subsidiaries during the Reporting Period

Name of companies	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
ASPD-HZ	To provide better localization and JIT services for automobile manufacturing companies	New investment	To expand sales channels for automotive steel products and increase auto customer adhesion

Note: ASPD-HZ is invested and established by ASPD-CC, a subsidiary of the Company.

VII. STRUCTURE ENTITY CONTROLLED BY THE COMPANY

Applicable Not applicable

VIII. ANALYSIS ON THE CORE COMPETITIVENESS

1. Secured resources supply capabilities

The surrounding areas of Anshan have abundant reserves of iron ore, providing strong secured supply of resources. Mining companies of Angang Group have iron ore resources of 8,800 million tons and production stripping capacity of 280 million tons per year and mineral processing capacity of 65 million tons per year, which ranked the first in China and are in leading positions in the world. Such areas are well-positioned to supply high-quality minerals for the Company.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

2. Technical and equipment capabilities

The main equipment and technology of Anshan production base are among the best of the PRC. They include: low-cost blast furnace ironmaking technology, rapid selection technology of coking coal and converter ultra-pure steel production technology. The Company's production lines of steel rolling are in the lead of its domestic peers, while the 1,700mm medium and thin slab continuous casting and rolling coil production technology, self-integrated cold rolling wide strip production technology, self-developed and applied cold rolling mill shape control system core technology have all reached the internationally advanced level.

Bayuquan production base has a compact layout and leads the world in equipment and craft. It boasts large equipment, constant processing, indicator modelling, automatic operation, IT application in management and information digitization. The 1,580 hot rolling plate production line uses multiple internationally advanced hot rolling technology, and equipped with a fixed width press, a hot coil box and 7 continuous rolling mills; the 5,500 wide and thick plate production line is currently one of the largest wide and thick plate mills in the world.

Chaoyang Iron and Steel has public and auxiliary facilities and equipment in relation to energy power, coking, sintering, iron making, steel making, steel rolling, and raw material storage and railway transportation. It has an annual production capacity of 2 million tons of fine plates.

3. Product development capabilities

The Company's steel products are complete in types and specifications and have certain differentiation advantages and its brand has high popularity and credibility. It has a leading position in producing automotive steel plates, home appliance plates and container plates. Its railway steels, container steels and shipbuilding plates won the title of "China Famous Brand Products".

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

3. Product development capabilities (Continued)

The Company's comprehensive research and development strength leads the iron and steel industry. It launched the TWIP1180HR hot coil and other new products produced by the full process technology. Its cold rolled high-strength plate QP1400 was launched first in the world. Its ultra-high strength marine steel is supplied exclusively to Blue Whale I, boosting the trial mining of gas hydrate and the longitudinal variable thickness weatherproof LP steels are exclusively used in batch in bridge engineering. It developed the 4,000mm ultra-wide nuclear grade duplex stainless steel plates S32101, filling in the gap of our country regarding special steels and reaching the world leading level. Its railway vehicle weather resistant steels can be provided in all kinds of specifications, and the power car bogies lead the development of the industry. The successful development of wide width martensitic stainless steels 4Cr13 for corrosion-resistant dies fills the blank of large martensitic stainless steel plates in China.

4. Technological innovation capabilities

The Company has mastered a number of key, leading, basic and cutting-edge technologies. The progress regarding intellectual property rights marked by patent applications, number of licenses and number of know-hows are in the "first echelon" in the metallurgical industry; it takes an important role in the modification of national standards and industry standards. Many achievements in intellectual property rights have been made in the fields of pre-ironmaking and iron and steel smelting systems, iron and steel products, environmental resources, etc. A number of invention patents including "A Low Alloy Sulfuric Acid Dew Point Corrosion Resistant Steel Plates and Related Manufacturing Method", "A High Strength Cold Rolled Hot Dip Galvanized Dual Phase Steel Plates and Related Manufacturing Method" won the 18th China Patent Excellence Award, and a large number of achievements including the "New-generation Controlled Rolling and Controlled Cooling Technology and Its Application" won state, industrial, provincial and municipal awards. In 2019, 579 patent applications were accepted by the state, of which 325 were inventions, accounting for 56% of all the applications. 442 patents were authorized by the state, with 214 of which being inventions. 574 know-how applications were made, 101 know-hows was identified and filed. Protection application for 15 computer software copyrights were made. 15 know-hows gained the Company's excellent know-how awards.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

5. Corporate culture cohesion capabilities

After accumulating, generalizing, extracting, sublimating the spirit of the past generations, the Company has established a profound corporate culture with “Innovation, Factualism, Hard Working and Contribution” as its core value and gave birth to the “Angang Constitution” which is praised as the fundamental law for running socialist enterprises. It abounds in heroic figures like Meng Tai, Lei Feng, Wang Chonglun as well as advanced models in the new period including Guo Mingyi and Li Chao. Its “model culture” plays an irreplaceable role in uniting the teams and making concerted efforts.

IX. POSSIBLE RISK EXPOSURES

In 2020, the Company will face many risks and challenges from international and domestic macroeconomic situations, the iron and steel industry environment and the Company itself. In order to better adapt to internal and external changes, effectively prevent the occurrence of major risk events and ensure the realization of production and operation objectives, the Company carried out the 2020 annual risk assessment, and studied and formulated risk response measures. The Company may confront the following major risks in 2019:

(1) Marketing risks

① Risk description

The slowdown of investment growth in real estate and infrastructure and the drop or even decline of growth rate in the downstream steel-using industry resulted in a slowdown in steel demand. The centralized production of capacity replacement projects will bring supply pressure to the steel market, and steel prices will show a downward trend. As a result, the profits of steel companies have continued to narrow and market competition has become increasingly fierce.

With the enhancement of international trade protection and trade barriers and the ongoing existence of uncertainties in international trade, the steel enterprises will face more international trade disputes, bringing many adverse effects on steel exports.

Discussion and Analysis of Operations (Continued)

IX. POSSIBLE RISK EXPOSURES (CONTINUED)

(1) Marketing risks (Continued)

② Risk management solution

While continuously increasing the ratio of direct supply, the Group will give effect to its leading role in the industry, accelerates the development of new products according to the needs of the market and customers, strives to increase the market share of unique products, increase high-value-added products and high-end products, and strive to build Angang Steel to a high-quality, low-cost production base.

The Group will make efforts to improve product quality to ensure a one-time pass rate of products; increase the speed of objection processing, optimize the process of objection processing, and increase customer satisfaction rate. The Group will also establishes a customer-centric service concept within the Group, which provides customers with efficient, high-quality and satisfactory services, guaranteed delivery time and improves customer stickiness while outputting products.

The Group will establish a risk control and review team to evaluate customers, and at the same time use a third-party institution to evaluate customers' credit, establish and improve customer rating and customer service systems to further improve customer management.

The Group will established overseas marketing service department, which is responsible for Angang Steel's overseas marketing planning and overseas technical service support, making full use of Angang International Trade's platform to expand overseas sales business, overall planning the market layout of special steel for the overseas market, expanding channels, and enhancing marketing capabilities in overseas markets.

Discussion and Analysis of Operations (Continued)

IX. POSSIBLE RISK EXPOSURES (CONTINUED)

(2) Technology R&D risks

① Risk description

In order to accelerate the “strategic, forward-looking and subversive” technology research and development pace, occupy the market by technologies, reduce costs and improve efficiency, and enhance core competitiveness, the Company has maintained a certain scale of research and development investment in recent years. Due to various uncertainties in technology R&D, there will be certain risks in technology R&D in the future. For example, if the driving force of innovation are insufficient, it may lead to insufficient leading, subversive, strategic projects, and unreasonable product structure; if the ability to identify users’ needs is not strong, the product development project is not fully demonstrated, etc., it may cause low user satisfaction for new product development; if the pressure on external market competition and environmental governance increases, the cost of products will increase, which may affect the improvement of the Company’s core competitiveness.

② Risk management solution

The Group will improve the scientific research management system, optimize the management of scientific research projects, implement decentralization and authorization, simplify the approval process, and improve management efficiency. The Group will also strengthen the classified and hierarchical R&D management of government projects, major group projects, Angang Steel projects and self-managed projects of various units, strengthen the orderly management of science and technology leading projects and other scientific research projects, and continue to enhance innovation capabilities.

Focusing on the major scientific and technological needs of the state and the Company’s core key areas, key points such as “bottleneck” technologies, market demands, etc., the Group will seek breakthroughs in scientific research projects, promote scientific research projects to play a role in national major equipment and major demands, and enhance the market competitiveness of products, and become the industry leader.

Discussion and Analysis of Operations (Continued)

IX. POSSIBLE RISK EXPOSURES (CONTINUED)

(2) Technology R&D risks (Continued)

② Risk management solution (Continued)

With the goal of becoming a technology leader in the industry and a global starter of high-end products, the Group will strengthen exchanges and cooperation with universities and institutes at home and abroad, sign a batch of cooperation projects urgently needed by the Anshan Steel focusing on key “bottleneck” technologies such as energy saving and emission reduction, green manufacturing, etc., strive to make new breakthroughs in key product smelting technology, energy-saving and efficient rolling technology, intelligent control technology for steel processing, high-end new material manufacturing technology, etc., realize the transformation of a number of industry-leading scientific research results, and continue to enhance the Company’s core competitiveness.

(3) Investment management risks

① Risk description

The complex and changeable economic situation at home and abroad has brought great uncertainty to the Company’s investment decision-making and implementation. If the due diligence and feasibility demonstration of investment projects are not comprehensive, in-depth and sufficient, the investment decision may be inappropriate or the project may be restricted or suspended, or punishment may be imposed due to non-compliance. Intelligent manufacturing involves many technical fields and is difficult to develop. If the project implementation plan is not fully discussed and the management methods are insufficient, projects may not achieve the expected construction goals.

Discussion and Analysis of Operations (Continued)

IX. POSSIBLE RISK EXPOSURES (CONTINUED)

(3) Investment management risks (Continued)

② Risk management solution

The Group will timely understand and analyze the relevant national industrial policies, macroeconomic situation and changes in the industry market to provide a basis for investment decisions. The annual investment plan review will be strengthened, the investment direction under the overall strategy and plan of the Company will be followed, and the projects in relation to relevant industries and market presence, will be supported as a priority.

The Group will strengthen the management of the implementation process of investment projects, standardize the risk assessment mechanism of projects, monitor the risk changes in the implementation process of projects and make dynamic adjustments and responses in a timely manner to ensure that every investment project achieves the expected goals.

The management changes, operating conditions, project income performance of the investment targets as well as the changes in relevant national policies and industry environment that may influence the investment targets will be closely monitored. In case of major changes, the risk points will be promptly identified and the risk impact will be anticipated to provide the basis for the Company's decision-making.

For new projects of intelligent manufacturing, the Group will evaluate and demonstrate from a holistic and global perspective, further decompose the investment plan to the responsible unit, strictly review the budget, and avoid risks. For major projects, the third-party risk assessment and internal expert review mechanism are adopted to effectively reduce project organization and implementation risks.

The Group will strengthen the project management such as infrastructure, technological transformation and contract energy, firmly grasp the project's total investment goals, optimize the design, and scientifically carry out investment decomposition to ensure that the project budget is under control. The Group will also reasonably control the project progress to ensure the delivery time; and grasp the quality objectives to ensure construction quality.

Significant Events

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

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

The Articles of Association of the Company clarified the basic principle of profit distribution policy, the specific conditions and ratios of cash dividend and the review procedures of profit distribution plan, and made specific requirement for the procedures of adjustments and changes of the profit distribution policy

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

Significant Events (Continued)

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

2. Proposals or plans of profit distribution of the Company for the last three years (including the Reporting Period):

(1) The profit distribution proposal of the Company for 2019

Net profit attributable to shareholders of the Company amounted to RMB1,787 million for the year of 2019, provision of statutory surplus reserve amounted to RMB95 million, the Group's undistributed profit amounted to RMB5,551 million as at 31 December 2019, in accordance with the PRC ASBE, as audited and confirmed by ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)). The Board recommended distributing RMB536,099,261 of profits to all shareholders of the Company by way of cash dividend of RMB0.57 (tax inclusive) per 10 shares on the basis of the total share capital of 9,405,250,201 shares, which accounted for 30% of the net profit attributable to shareholders of the Company. The funds used for profit distribution were from the Company's own funds. In the case of any change in the total share capital of the Company as at the record date of the dividend distribution in 2019, the total amount of distributable profits to all shareholders of the Company will remain unchanged, while the cash dividend per share will be adjusted based on the total share capital of the Company as at the record date of the dividend distribution. The profit distribution plan conforms to the profit distribution policy stipulated in the Articles of Association of the Company. There is no significant difference between the Company's cash distribution level and the average level of listed companies in the industry. This proposal shall be subject to consideration and approval at the 2019 AGM.

(2) The profit distribution proposal of the Company for 2018

The Company distributed cash dividend of RMB0.220 per share (tax inclusive) for the year of 2018 amounting to RMB1,592 million of distributable profits to all shareholders of the Company, on the basis of the total share capital of 7,234,807,847 shares. At the same time, the Company will issue shares to all shareholders by way of capitalisation of capital reserve, on the basis of three (3) capitalisation shares for every ten (10) existing shares.

(3) The profit distribution proposal of the Company for 2017

The Company distributed cash dividend of RMB0.232 per share (tax inclusive) for the year of 2017 amounting to RMB1,678 million of distributable profits to shareholders of the Company, on the basis of the total share capital of 7,234,807,847 shares.

Significant Events (Continued)

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

3. Distribution of cash dividends of the Company for the last three years

Unit: RMB million

Year	Amounts of cash dividends (tax inclusive)	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 (%)
2019	536	1,787	30
2018	1,592	7,952	20
2017	1,678	5,605	30

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

Numbers of bonus share per 10 shares (<i>share(s)</i>)	–
Dividend distribution per 10 shares (<i>RMB</i>) (<i>tax inclusive</i>)	0.57
Conversion per 10 shares (<i>share(s)</i>)	–
Share base of the distribution proposal (<i>shares</i>)	9,405,250,201
Total cash dividend (<i>RMB million</i>) (<i>tax inclusive</i>)	536
Distributable profits (<i>RMB million</i>)	5,551
Percentage of cash dividend to total profits distribution (%)	100

Significant Events (Continued)

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

Cash dividend for this year

The Board proposes to distribute cash dividend of RMB0.057 per share (tax inclusive) amounting to RMB536,099,261 of distributable profits to all the shareholders of the Company by way of cash dividends on the basis of the total share capital of 9,405,250,201 shares. If there is any change in the Company's total share capital as of the record date for dividend distribution in 2019, the total amount of distributable profits to all shareholders of the Company will remain unchanged, and the cash dividend per share will be adjusted on the basis of the Company's total share capital on the record date for dividend distribution.

Particulars of profit distribution and capitalization of capital reserves plan

The Board proposes to distribute cash dividend of RMB0.057 per share (tax inclusive) amounting to RMB536,099,261 of distributable profits to all the shareholders of the Company by way of cash dividends on the basis of the total share capital of 9,405,250,201 shares. If there is any change in the Company's total share capital as of the record date for dividend distribution in 2019, the total amount of distributable profits to all shareholders of the Company will remain unchanged, and the cash dividend per share will be adjusted on the basis of the Company's total share capital on the record date for dividend distribution.

Significant Events (Continued)

III. PERFORMANCE OF UNDERTAKING

The undertakings performed by the Company, shareholders, de facto 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.

Reason for Undertaking	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 & 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 preemptive rights for such capital contribution, shares or equity interests.</p>	20 May 2007	Indefinite	There was no breach of such undertaking

Significant Events (Continued)

III. PERFORMANCE OF UNDERTAKING (CONTINUED)

Reason for	Undertaking	Type of	Contents of Undertaking	Date of	Period of	Performance
	Party	Undertaking		Undertaking	Undertaking	of
						Undertaking

(5) If Angang Holding and its wholly-owned and holding subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes the purchase requirement, Angang Holding and its wholly-owned and holding subsidiaries will transfer relevant assets and business to the Company with priority based on reasonable prices and conditions according to the processes required by laws.

(6) During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first for the opportunity of new business.

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

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

Significant Events (Continued)

III. PERFORMANCE OF UNDERTAKING (CONTINUED)

Reason for	Undertaking	Type of	Contents of Undertaking	Date of	Period of	Performance
	Party	Undertaking		Undertaking	Undertaking	of
						Undertaking

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

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

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

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

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

Significant Events (Continued)

III. PERFORMANCE OF UNDERTAKING (CONTINUED)

Reason for	Undertaking	Type of	Contents of Undertaking	Date of	Period of	Performance
	Party	Undertaking		Undertaking	Undertaking	of
						Undertaking

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.

Whether the commitments Yes
are fulfilled on time

IV. MISAPPROPRIATION OF NON-OPERATING FUNDS OF THE COMPANY BY CONTROLLING SHAREHOLDERS AND CONNECTED PERSONS

Applicable Not applicable

Significant Events (Continued)

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) Changes in accounting policies

On 30 August 2019, the Resolution in relation to Changes in Accounting Policy of the Company was approved at the Seventh Meeting of the Eighth Session of the Board, the particulars of which are as follows:

1) Particulars of and reasons for the changes

In 2018 and 2019, the Ministry of Finance issued the following amendments to the Accounting Standards for Business Enterprises and relevant interpretations:

Accounting Standards for Business Enterprises No. 21 – Leases (revised) (“New Leasing Standard”)

The Notice on Revision of the General Format of 2019 Financial Statements of Business Enterprises (Cai Kuai [2019] No. 6)

The Group has adopted the above revised Accounting Standards for Business Enterprises and interpretations since 1 January 2019 and made adjustments to relevant accounting policies accordingly.

Significant Events (Continued)

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 (CONTINUED)

(1) Changes in accounting policies (Continued)

2) Major impacts of the changes

A: New Leasing Standard

Pursuant to the requirements of the original leasing standard, the lease expenses of the operating lease assets are recognized as the relevant assets or expenses over the lease term. After the amendments, the lessee shall first identify whether there constitutes a lease, and the lease contracts satisfying the definition of a lease are accounted for as required by the New Leasing Standard. At initial recognition, the lease liabilities of the operating lease assets are recognized at the present value of the outstanding lease payments as on the commencement date of the lease while the right-of-use assets are recognized based on the lease liabilities and other costs (such as initial direct costs and restoration duties). For subsequent measurement, the right-of-use assets are depreciated and the depreciation charges are recognized, while at the same time, the interest expenses of the lease liabilities are recognized based on effective interest rate method. For short term and low-value asset lease, the right-of-use asset and lease liabilities are not recognized selectively. Meanwhile, the specific requirements for disclosure of financial reports are imposed in respected of related matters. There is no substantive material change in terms of leasing out, and finance leases.

Significant Events (Continued)

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 (CONTINUED)

(1) Changes in accounting policies (Continued)

2) Major impacts of the changes (Continued)

B: Presentation of Financial Statements

The Group prepared its 2019 annual financial statements in accordance with the format for financial statements of Cai Kuai [2019] No.6, and retrospectively adjusted the presentation of the related financial statements.

The relevant presentation adjustments are as follows:

Items affected in the consolidated balance sheet and the balance of the parent company of the end of the last year and the beginning of the year are as follows:

Unit: RMB million

Statement	Consolidated Balance Sheet		
	2018-12-31 Before retrospect adjustment of the format of new statement	Impact of changes in the format of new statement	2018-12-31 After retrospect adjustment of the format of new statement
ASSETS:			
Bills receivables		7,184	7,184
Trade receivables		2,460	2,460
Bills receivables and trade receivables	9,644	-9,644	
LIABILITIES:			
Note payables		1,400	1,400
Trade payables		7,663	7,663
Note payables and trade payables	9,063	-9,063	

Significant Events (Continued)

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 (CONTINUED)

(1) Changes in accounting policies (Continued)

2) Major impacts of the changes (Continued)

B: Presentation of Financial Statements (Continued)

Statement	Balance Sheet of the Parent Company		
	2018-12-31 Before retrospect adjustment of the format of new statement	Impact of changes in the format of new statement	2018-12-31 After retrospect adjustment of the format of new statement
ASSETS:			
Bills receivables		6,249	6,249
Trade receivables		3,239	3,239
Bills receivables and trade receivables	9,488	-9,488	
LIABILITIES:			
Note payable		1,370	1,370
Trade payables		6,976	6,976
Note payables and trade payables	8,346	-8,346	

Note: As at the date of initial application of the New Leases Standards, the Group and the Company have no long-term leases, so they have no impact on the statements dated 1 January 2019.

Significant Events (Continued)

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 (CONTINUED)

(1) Changes in accounting policies (Continued)

2) Major impacts of the changes (Continued)

B: Presentation of Financial Statements (Continued)

Items affected in the consolidated balance sheet and the balance of the parent company as at the end of this year are as follows:

Unit: RMB million

Statement	Consolidated Balance Sheet		Impact number
	Carrying amount	Assuming implementing the original standard	
ASSETS:			
right-of-use asset	162	162	162
Construction in progress	1,549	1,552	-3
LIABILITIES:			
Lease liability	160	160	160
Long-term payable	2	-2	-2

Statement	Balance Sheet of the Parent Company		Impact number
	Carrying amount	Assuming implementing the original standard	
ASSETS:			
right-of-use asset	159		159
Construction in progress			
LIABILITIES:			
Lease liability	157		157
Long-term payable			

Significant Events (Continued)

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 (CONTINUED)

(1) Changes in accounting policies (Continued)

2) Major impacts of the changes (Continued)

B: Presentation of Financial Statements (Continued)

Items of the compacted consolidated income statement and income statement of the parent company this year are as follows:

Unit: RMB million

Statement	Consolidated Income Statement		
	Carrying amount	Assuming implementing the original standard	Impact number
Financial expenses	1,093	1,088	5
Administrative expenses	1,331	1,337	-6
Income tax expense	212	212	

Statement	Income Statement of the Parent Company		
	Carrying amount	Assuming implementing the original standard	Impact number
Financial expenses	1,084	1,079	5
Administrative expenses	1,167	1,173	-6
Income tax expense	-24	-24	

(2) Changes in accounting estimates

There was no change in accounting estimates of the Group during the Reporting Period.

Significant Events (Continued)

VI. REASON FOR RETROSPECTIVE RESTATEMENT TO CORRECT MAJOR ACCOUNTING ERRORS DURING THE REPORTING PERIOD

Applicable Not applicable

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

Applicable Not applicable

ASPD-CC, a subsidiary of the Company, established ASPD-HZ, with 100% shareholding and a registered capital of RMB118 million.

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

1. Accounting firm currently engaged by the Company

Name of the PRC accounting firm	ShineWing Certified Public Accountants (Special General Partnership)
Remuneration of the PRC accounting firm (RMB0'000)	500
Continued term of service of the PRC accounting firm	2 years
Continued term of service of certified public accountants of the PRC accounting firm	2 years
Name of certified public accountants of the PRC accounting firm	Fan Jianping and Fu Yangyi

2. Whether appointed another accounting firm during the period

Yes No

Whether appointed another accounting firm during the auditing period

Yes No

Significant Events (Continued)

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM (CONTINUED)

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

Applicable Not applicable

The Company engaged ShineWing Certified Public Accountants (Special General Partnership) as the internal control and auditing firm of the Company for 2019 and the remuneration was RMB0.70 million.

4. Whether accounting firms has changed in the last three years

Due to Ruihua Certified Public Accountants (Special General Partnership) has provided the Company with continuous annual audit services for 5 years, and according to the relevant requirements of the SASAC, the Company had changed the accounting firm for 2018. The Company appointed ShineWing Certified Public Accountants (Special General Partnership) as the Company's auditor.

Significant Events (Continued)

IX. LITIGATION AND ARBITRATION

Background of litigation (arbitration)	Amount involved (RMB0'000)	Any estimated liabilities incurred	Status of litigation (arbitration)	Trial outcome and impact of litigation (arbitration)	Enforcement of the judgment on litigation (arbitration)	Disclosure date	Disclosure index
Non-material proceedings	122,695	-	Case built	-	-	-	-
Non-material response to proceedings	6,428	-	In trial	-	-	-	-

Note: The non-material proceedings were mainly the actions brought by the Company against certain financial companies and related liable entities on overdue bank acceptance bills.

X. PENALTY AND RECTIFICATIONS

Applicable Not applicable

The Company has not been subject to any penalty and rectification during the Reporting Period.

XI. CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

Applicable Not applicable

XII. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY

Applicable Not applicable

The Company had no share-based incentives, employee stock ownership scheme or other employee incentive measures and relevant implementation thereof during the Reporting Period.

Significant Events (Continued)

XIII. MAJOR CONNECTED TRANSACTIONS

The connected transactions set out below fall within the definition relating to “Connected Transaction” or “Continuing Connected Transaction” under Chapter 14A of the Hong Kong Listing Rules. Relevant connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

1. Connected transactions related to daily operations

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	7,583	14.90	23,619	No	In cash	–
Angang Group Mining Gongchangling Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	4,216	8.29			In cash	–
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	3,038	5.97			In cash	–
Angang Group Anqian Mining Company Limited	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,473	2.89			In cash	–
Angang Group Guanbaoshan Mining Co. Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,242	2.44			In cash	–
Angang Holding International Economic and Trading Co. Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	717	1.41			In cash	–
Pangang Vanadium & Titanium Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	308	0.61			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,008	1.98			In cash	–
Sub-total	–	–	Purchase main materials	–	–	19,585	38.49			In cash	–
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	–	167	100.00	300	No	In cash	–
Sub-total	–	–	Purchase steel products	–	–	167	100.00			In cash	–

Significant Events (Continued)

XIII. MAJOR CONNECTED TRANSACTIONS(CONTINUED)

1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available
Anshan Iron and steel Metallurgical Furnace Material Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	920	8.41	3,526	No	In cash	-
Angang Naihao Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	736	6.73			In cash	-
Angang Group Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	410	3.75			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	1,217	11.12			In cash	-
Sub-total	-	-	Purchase auxiliary materials	-	-	3,283	30.01			-	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	1,601	33.76	2,011	No	In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	45	0.95			In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	1,646	34.71			-	-

Significant Events (Continued)

XIII. MAJOR CONNECTED TRANSACTIONS(CONTINUED)

1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available
Delin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	1,672	15.96	6,411	No	In cash	-
Angang construction Consortium Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	592	5.65			In cash	-
Plate Co., Ltd. (Putian)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	505	4.82			In cash	-
Angang Group Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	535	5.11			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	2,330	22.24			In cash	-
Sub-total	-	-	Receive supporting services	-	-	6,409	61.18			-	-
Delin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	-	741	0.75	5,179	No	In cash	-
Angang Green Resources Technology Co., Ltd.	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	-	629	0.63			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	-	1,132	1.14			In cash	-
Sub-total	-	-	Sales of products	-	-	2,502	2.52			-	-
Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sell scrap steel material, abandoned material, minus sieve powder	Market principle	-	240	90.23	297	No	In cash	-
Sub-total	-	-	Sell scrap steel material, abandoned material, minus sieve powder	-	-	240	90.23			-	-

Significant Events (Continued)

XIII. MAJOR CONNECTED TRANSACTIONS(CONTINUED)

1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available
Angang Holding	Controlling shareholder	Sales of goods/ Provide services	Provide comprehensive services	Market principle	-	761	10.97	1,828	No	In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Provide comprehensive services	Market principle	-	258	3.72			In cash	-
Sub-total	-	-	Provide comprehensive services	-	-	1,019	14.69			-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interest	Market principle	-	33	63.44	50	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	3,480	-	3,500	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	-	35	17.25	250	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	-	26	100.00	120	No	In cash	-

Significant Events (Continued)

XIII. MAJOR CONNECTED TRANSACTIONS(CONTINUED)

1. Connected transactions related to daily operations (Continued)

Particulars on refund of bulk sale	–
Estimated total amount for Continuing Connected Transactions to be conducted during the period and their actual implementing during the reporting period	The estimated data of Continuing Connected Transactions of the Company for the previous year was based on the content and estimated caps of transactions set out in the Continuing Connected Transaction Agreements approved at the 2018 general meeting of the Company. The total amount of Continuing Connected Transactions of the Company in 2019 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements. The difference between actual amounts of certain connected transactions and estimated amounts was relatively larger, due to the impact of changes in prices of commodities and trading volumes during actual operation. As the originally estimated data represented the estimated caps of transactions, the existence of difference was reasonable which did not prejudice the interests of non-controlling shareholders and the Company.
Reason for the difference between transaction price and market reference price	–
Relevant explanation on connected transactions	As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of 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 Group which is a client of the Company.

Significant Events (Continued)

XIII. MAJOR CONNECTED TRANSACTIONS(CONTINUED)

1. Connected transactions related to daily operations (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 2019 were carried out in the ordinary and usual course of business of the Company;
- (2) the Continuing Connected Transactions of the Company in 2019 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 favorable 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 2019 were conducted in accordance with the terms set out in 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 2019 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements. The difference between actual amounts of certain connected transactions and estimated amounts was relatively larger, due to the impact of changes in prices of commodities and trading volumes during actual operation. As the originally estimated data represented the estimated caps of transactions, the existence of difference was reasonable which did not prejudice the interests of non-controlling shareholders and the Company.

Significant Events (Continued)

XIII. MAJOR CONNECTED TRANSACTIONS(CONTINUED)

1. Connected transactions related to daily operations (Continued)

The auditors of the Company have reviewed the above non-exempt 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 nothing has come to their attention that causes them to believe that:

- (1) 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 services, the Continuing Connected Transactions were not carried out in accordance with the pricing policies of the Group in all material aspects.
- (3) the transactions were not carried out in accordance with the relevant agreements in all material aspects.
- (4) the Connected Transactions have exceeded the relevant annual cap.

Significant Events (Continued)

XIII. MAJOR CONNECTED TRANSACTIONS(CONTINUED)

2. Connected transactions in relation to asset or equity acquisition or disposal

Applicable Not applicable

There was no connected transaction in relation to asset or equity acquisition and disposal during the Reporting Period.

3. Connected transactions in relation to joint external investments

Applicable Not applicable

There was no connected transaction in relation to joint external investment during the Reporting Period.

4. Connected party credit and debt transaction

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

Significant Events (Continued)

XIII. MAJOR CONNECTED TRANSACTIONS(CONTINUED)

5. Other major connected transactions

On 10 September 2019, the Resolution on Delegating Angang Group Beijing Research Institute Co., Ltd. to Conduct Technology Development Projects was approved at the Ninth Meeting of the Eighth Session of the Board. Angang Beijing Research Institute is the holding subsidiary of Angang, which is the actual controller of the Company. In order to improve the Company's basic, cutting-edge and leading technology research and development level, and enhance the leading force of scientific and technological innovation, the Company delegated Angang Beijing Research Institute to conduct the research and development of 9 technology development projects. The total delegated technology development fee is RMB198.01 million.

On 30 December 2019, the Resolution of the Company on the Joint Venture with Anshan Holding to Establish Delin Zhilian (Anshan) Co., Ltd was approved at the Fifteenth Meeting of the Eighth Session of the Board. Angang Holding is the controlling shareholder of the Company. In order to accelerate the development of the Company's modern internet economy, give full play to the synergistic effect of "internet + entity", develop the Company's e-commerce, promote the close integration of e-commerce and procurement, sales, logistics, finance, etc., and build an integrated operation platform featuring active, cost reduction, safety, efficiency and flexibility, the Company and Anshan Holding jointly set up the Deling Zhilian. The total registered capital of Deling Zhilian was RMB60 million, which was contributed in currency by the Company and Anshan Holding, including RMB54.6 million invested by the Company, representing 91% of the registered capital, and RMB5.4 million invested by Anshan Holding, representing 9% of the registered capital.

Delin Zhilian completed its industrial and commercial registration on 20 January 2020.

Significant Events (Continued)

XIV. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Trust, contractual or lease arrangement

(1) Trust arrangement

On 18 December 2018, the Company approved the Supply of Materials and Services Agreement (2019–2021) between the Company and Angang at the third extraordinary general meeting of the Company in 2018. The Company entered into the Entrusted Management Services of Asset and Business Agreement with Angang Holding on January 2019 as the specific agreement for execution under the approved Supply of Materials and Services Agreement (2019–2021). Pursuant to the Entrusted Management Services of Asset and Business Agreement, Angang Holding entrusts the Company to daily operate and manage the assets, businesses, additional future assets and businesses of the unlisted units under its control.

During the Reporting Period, the Company did not address any entrusted projects which resulted in profit or loss of the Company amounting to more than 10% of the Company's total profit during the Reporting Period.

(2) Contractual arrangement

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

(3) Lease arrangement

The Company did not enter into any 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.

Significant Events (Continued)

XIV. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (CONTINUED)

3. Entrusted cash assets management

(1) Entrusted wealth management

During the Reporting Period, the Company did not have entrusted wealth management.

(2) Entrusted loans

During the Reporting Period, the Company did not have entrusted loan.

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES

1. Assumption of social responsibilities

The Company proactively assumed its social responsibilities. For details, please refer to the “2019 Corporate Social Responsibility Report of Angang Steel Company Limited”. Please refer to Cninfo website <http://www.cninfo.com.cn> dated on 28 March 2020 for details of the full text.

2. Performance of social responsibility in respect of targeted poverty alleviation

(1) Targeted poverty alleviation plans

Under the guidance of Xi Jinping’s spirit regarding new-era socialism with Chinese characteristics, the Group has thoroughly studied and implemented the Party’s 19th National Congress and the Party Central Committee and the State Council’s strategic plan for poverty eradication. The unified requirements of Angang Group was followed, problem-driven improvement measures were focused, the principle of “external supports” and “internal efforts” were observed to achieve the combined aims of poverty alleviation, ambition cultivation and intelligence development, and the Six Targeting” requirements were followed to appropriately carry out targeted poverty alleviation including livelihood poverty alleviation, industrial poverty alleviation, education poverty alleviation, medical poverty alleviation and talent support. The Group will fully leverage its resource advantages, mobilize various forces and make every effort to implement the targeted poverty alleviation throughout the whole process of poverty eradication, and earnestly fulfill its political responsibility and mission shouldered by a state-owned enterprise directly led by the central government, and help poverty alleviation targets successfully complete the poverty eradication goals.

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of social responsibility in respect of targeted poverty alleviation (Continued)

(2) Summary of annual targeted poverty alleviation

In 2019, Angang Steel diligently implemented the requirements of the Party Central Committee and the State Council on targeted poverty alleviation. On the basis of the reality of the Company and the poverty alleviation targets, Angang Steel orderly promoted the work in relation to poverty alleviation and poverty lifting, earnestly fulfilled the corporate social responsibility, and played a positive role in promoting the development of various local economic and social undertakings. According to the actual situation of helping objects, in 2019, the main targets of financial and project assistance include Jianchang County, Shihuiyao Town (Village) of Xiuyan County, and Shangtao Village of Chaoyang City, Liaoning Province. In respect to Taxian County, Xinjiang, “talent support” was mainly applied by dispatching outstanding cadres.

In 2019, Angang Steel implemented 29 poverty alleviation projects, and made actual investment of RMB1.800 million as poverty alleviation funds, with a completion rate of 100%. The poverty alleviation project has achieved remarkable results. It made meaningful contributions to the counterparts to which aids were provided in achieving their schedule of poverty alleviation.

In addition, in 2019, the party members and employees of Angang Steel donated RMB50,000 to students from poverty-stricken families of Lingdong Senior High School in Jianchang County to help 50 students; the cold rolling plant organized the party members and cadres to donate RMB10,400 to Shihuiyao Village Primary School in Xiuyan County for purchase of teaching equipment, tables and chairs, etc.; Angang Steel also organized the party members and cadres to purchase Taxian County agricultural and sideline products amounting to more than RMB2 million to help poverty-stricken households and to increase their income.

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of social responsibility in respect of targeted poverty alleviation (Continued)

(3) Results of targeted poverty alleviation

Indicator	Unit	Number/ progress
I. Overview	–	–
Including: 1. Capital	RMB'0,000	180
2. Supplies converted into cash	RMB'0,000	
3. Number of archive impoverished population casting off poverty	Person	522
II. Sub-entry	–	
1. Poverty alleviation through industrial development	–	
Including: 1.1 Type of industrial development projects for poverty alleviation	–	Village collective economy
1.2 Number of industrial development projects for poverty alleviation	Project	7
1.3 Capital invested in industrial development projects for poverty alleviation	RMB'0,000	170
1.4 Number of archive impoverished population casting off poverty	Person	522

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of social responsibility in respect of targeted poverty alleviation (Continued)

(3) Results of targeted poverty alleviation (Continued)

Indicator	Unit	Number/ progress
2. Poverty alleviation through allopatric employment	–	–
Including: 2.1 Capital invested in occupational skill trainings	RMB'0,000	
2.2 People attending occupational skill trainings	Person/time	
2.3 Employment of archive impoverished population	Person	
3. Poverty alleviation through resettlement	–	–
Including: Employment of relocated households	Person	
4. Poverty alleviation through education	–	–
Including: 4.1 Capital contributed for aiding impoverished students	RMB'0,000	
4.2 Number of students receiving financial aid	Person	
4.3 Capital contributed for improving educational resources in poverty-stricken areas	RMB'0,000	
5. Poverty alleviation from the perspective of hygiene	–	–
Including: 5.1 Capital invested in medical and health resources in poverty-stricken areas	RMB'0,000	
6. Poverty alleviation from the perspective of ecological protection	–	–
Including: 6.1 Type of project	–	
6.2 Capital contributed	RMB'0,000	

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of social responsibility in respect of targeted poverty alleviation (Continued)

(3) Results of targeted poverty alleviation (Continued)

Indicator	Unit	Number/ progress
7. Bottom-lined guarantee	–	–
Including: 7.1 Capital for “stay behind” children, elderly and women	RMB’0,000	
7.2 Number of “stay behind” children, elderly and women getting help	Person	
7.3 Capital for the disabled in difficulties	RMB’0,000	
7.4 Number of the disabled in difficulties getting help	Person	
8. Social poverty alleviation	–	–
Including: 8.1 Capital contributed for collaborative poverty alleviation in eastern and western regions	RMB’0,000	
8.2 Capital for targeted poverty alleviation work	RMB’0,000	
8.3 Capital donated to poverty alleviation-related charity funds	RMB’0,000	
9. Others	–	–
Including: 9.1 Number of projects	Project	3
9.2 Capital contributed	RMB’0,000	10
9.3 Number of archive impoverished population casting off poverty	Person	301
III. Awards (nature and class)	–	–

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of social responsibility in respect of targeted poverty alleviation (Continued)

(4) Follow-up targeted poverty alleviation plans

In 2020, the Group planned to invest RMB14.5 million in poverty alleviation funds in Taxian County, Xinjiang, in order to provide assistance in industry, medical care, education, etc. The Group will also consolidate the achievements of poverty alleviation, ensure that the goal of poverty alleviation in 2020 to be completed, and help to build a well-off society in an all-round way.

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

3. Matters regarding environmental protection

(1) Pollutant discharge

Company or subsidiary	Major pollutant and particular pollutant		Discharge outlet	Location of discharge outlets	Emission concentration (mg/m ³)	Pollutant discharge	Total discharge		Excess discharge
	Discharge manner	standard adopted (mg/m ³)				discharge amount (ton)	discharge amount Approved (ton)		
Angang Steel	COD	Standard discharge of wastewater after treatment	3	Main outlet	<50	50	126.48	-	Nil
	Ammoniacal nitrogen	Standard discharge of wastewater after treatment	3	Main outlet	<5	5	12,078		Nil
	Particulates	Standard discharge of exhaust gas after treatment	540	Coking Iron making Steel making Steel rolling	<30 <50 <20 <30	30 50 20 30	9,728.9		Nil
	Sulphur dioxide	Standard discharge of exhaust gas after treatment	201	Coking Sintering Steel rolling	<50 <200 <150	50 200 150	9,597.1		Nil
	Nitrogen oxides	Standard discharge of exhaust gas after treatment	170	Coking Sintering Steel rolling	<500 <300 <200	500 300 200	25,334.1		Nil

During the Reporting Period, the Company did not have major environmental and other social security problems.

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

3. Matters regarding environmental protection (Continued)

(2) Suggestions on and operation of pollution prevention facilities

In 2019, the Company did not experience any major environmental pollution incident. The existing environmental protection facilities are operated steadily, the pollutants are discharged in compliance with the standards, the radioactive sources and radiation devices are operated safely, and the hazardous wastes are disposed in compliance with regulations. In 2019, the Company invested RMB180 million in the commencement of 14 environmental protection transformation projects (such as the roofing and closing of the injection coal in Lingshan Yard and the noise control of the second burning desulfurization system) and the completion of 75 environmental protection projects (such as the roofing and closing of the pellet yard in Lingshan Block Mine and the fine desulfurization of coke oven gas).

(3) Environmental impact assessment on construction projects and other environment protection administrative permits

In 2019, the implementation rate of the Company's construction project environmental impact assessment system and environmental protection "three simultaneous" system reached 100%. Throughout the year, the Company also obtained the environmental assessment approval files for a total of 13 construction projects, and carried out the independent environmental protection acceptance work in accordance with the relevant environmental protection laws and regulations, a total of 12 construction projects passed the environmental protection acceptance.

(4) Emergency plans for environmental pollution accidents

In 2019, the Company revised the Emergency Plan for Environmental Emergencies, and completed the government filing work.

(5) Environmental protection self-monitoring plan

The Company has formulated an environmental self-monitoring plan in strict accordance with the requirements of the approved emission standards, and entrusted qualified institutions to carry out monitoring.

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	Shares transferred from accumulated fund	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium	13,237	0.00	-	-	+1,721	-7,500	-5,779	7,458	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	13,237	0.00	-	-	+1,721	-7,500	-5,779	7,458	0.00
4. Foreign shares	-	-	-	-	-	-	-	-	-
Including: shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	7,234,794,610	100.00	-	-	+2,170,440,633	+7,500	+2,170,448,133	9,405,242,743	100.00
1. Renminbi ordinary shares	6,148,994,610	84.99	-	-	+1,844,700,633	+7,500	+1,844,708,133	7,993,702,743	84.99
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	1,085,800,000	15.01	-	-	+325,740,000	-	+325,740,000	1,411,540,000	15.01
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	7,234,807,847	100.00	-	-	+2,170,442,354		+2,170,442,354	9,405,250,201	100.00

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (CONTINUED)

1. Movement in share capital (Continued)

- Reasons for movement in share capital:
 - (1) On June 28, 2019, in accordance with profit distribution proposal for 2018 approved at the general meeting, the Company issue shares to all shareholders by way of capitalisation of capital reserve, on the basis of three(3) capitalisation shares for every ten(10) existing shares, for a total of 2,170,442,354 shares.
 - (2) After the resignation of the original director, the original term has expired 6 months. According to the requirements of Shenzhen Stock Exchange, the shares subject to trading moratorium held by him is released.

- Approval of movement in share capital:

On May 28, 2019, the profit distribution plan for 2018 was approved at the 2018 annual general meeting of the Company: In 2018, the Company distributed cash dividend of RMB2.2 (tax inclusive) per 10 shares on the basis of the total share capital of 7,234,807,847 shares. At the same time, the Company will issue shares to all shareholders by way of capitalisation of capital reserve, on the basis of three (3) capitalisation shares for every ten (10) existing shares.

- Transfer of movement in share capital:

The transfer of the relevant capitalisation of capital reserve has been distributed to the Company's shareholders' accounts on June 28, 2019.

- Impact of movement in share capital on the basic earnings per share, diluted earnings per share and net assets per share attributable to ordinary shareholders of the Company in the latest year:

In 2018, based on the original total number of 7,234,807,847 shares, basic earnings per share of the Group amounted to RMB1.099 per share, diluted earnings per share amounted to RMB1.088 per share net assets per share attributable to ordinary shareholders of the Company amounted to RMB7.18 per share; based on the total number of 9,405,250,201 shares after capitalisation of capital reserve, basic earnings per share of the Group amounted to RMB0.846 per share, diluted earnings per share amounted to RMB0.840 per share net assets per share attributable to ordinary shareholders of the Company amounted to RMB5.52 per share.

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (CONTINUED)

2. Changes in shares subject to trading moratorium

Unit: Share

Name of Shareholder of the period	Shares subject to trading moratorium at the beginning of the period	Increase in shares subject to trading moratorium during the period	Decrease in shares subject to trading moratorium during the period	Shares subject to trading moratorium at the end of the period	Reasons for the trading moratorium	Date of release of the trading moratorium
Yao Lin	7,500	2,250	9,750	0	After the resignation of the original director, the original term has expired 6 months. According to the requirements of Shenzhen Stock Exchange, the shares subject to trading moratorium held by him is released.	8 December 2019
Wang Yidong	5,737	1,721	-	7,458	According to the relevant requirements of the Shenzhen Stock Exchange, the increased shares obtained from capitalisation of capital reserve of the Company's 2018 profit distribution to increase shares subject to trading moratorium will be 75%.	-
Total	13,237	3,971	9,750	7,458	-	--

Movement in Share Capital and Shareholders' Profile (Continued)

II. ISSUANCE AND LISTING OF SECURITIES

1. Issuance of securities during the Reporting Period

Name of shares and their derivative securities	Date of issuance	Issue price (or rate)	Issuance amount	Listing date	Amount approved for listing and trading	Termination date of trading
Shares						
Angang Steel	2019.6.28	0	2,170,442,354 shares	2019.6.28	2,170,442,354 shares	-
Convertible corporate bonds, bonds cum warrants, corporate debt securities	-	-	-	-	-	-
Other derivative securities	-	-	-	-	-	-

On June 28, 2019, in accordance with profit distribution proposal for 2018 approved at the general meeting, the Company issue shares to all shareholders by way of capitalisation of capital reserve, on the basis of three (3) capitalisation shares for every ten(10) existing shares., for a total of 2,170,442,354 shares.

2. Explanation for the changes in total shares of the Company and shareholding structure and movement in the assets and liability structure of the Company

On 28 June 2019, the Company implemented the issuance of additional shares by way of capitalisation of capital reserve, on the basis of three (3) capitalisation shares for every ten (10) existing shares,for a total of 2,170,442,354 shares. The issuance of additional shares by way of capitalisation of capital reserve has no effect on shareholding structure, assets and liability structure of the Company.

Movement in Share Capital and Shareholders' Profile (Continued)

II. ISSUANCE AND LISTING OF SECURITIES

3. Existing internal staff shares condition

Applicable Not applicable

4. H shares convertible bonds

On 25 May 2018, the Company issued HK\$1,850,000,000 zero coupon convertible bonds on the Hong Kong Stock Exchange. The convertible bonds were listed and dealt on the Hong Kong Stock Exchange on 28 May 2018 and will fall due on 25 May 2023. After the Company implemented profit distribution proposal for 2017 and 2018, the conversion price of the convertible bonds was adjusted from HK \$9.20 per H share to HK \$6.76 per H share. As of 31 December 2019, there has been no conversion of the above convertible bonds.

The Company is currently in good operating condition, with sufficient liquidity and good solvency. The Company has the ability to fulfill its bond redemption obligations as agreed. Under the terms of the bond issuance, the Company or bondholder can conditionally redeem the bond during the period from 25 May 2021 to the due date.

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		102, 920 of which 495 were holders of H shares		The total number of ordinary shareholders as at 29 February 2020		101,662		
Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Details of shareholders with more than 5% of shares					
			Number of shares held 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
Anshan Iron & Steel Group Co. Ltd.	State owned legal person	53.33	5,016,111,529	+1,157,564,199	-	5,016,111,529	-	-
HKSCC (Nominees) Limited	Overseas legal person	14.87	1,398,193,806	+322,448,327	-	1,075,745,479	-	-
China National Petroleum Corporation	State owned legal person	8.98	845,000,000	+195,000,000	-	845,000,000	-	-
Power Construction Corporation of China	State owned legal person	4.98	468,000,000	+108,000,000	-	468,000,000	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal person	1.02	95,832,672	-28,806,022	-	95,832,672	-	-
Central Huijin Asset Management Ltd.	State owned legal person	1.00	94,348,670	+21,772,770	-	94,348,670	-	-
Abu Dhabi Investment Authority	Overseas legal person	0.31	29,545,100	+630,738	-	29,545,100	-	-

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)

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Details of shareholders with more than 5% of shares				Number of shares pledged or frozen	Status of shares	Amount
			Number of shares held 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			
Bank of China Limited- Fullgoal CSI State owned Enterprises the Belt and Road Trading Open Type Index Security Investment Fund	Others	0.23	21,501,640	+21,501,640	-	21,501,640	-	-	
China Merchants Bank Co., Ltd.- Boshi Zhongzheng State-owned Enterprise Innovation-Driven Trading Open Type Index Security Investment Fund	Others	0.23	21,351,770	+21,351,770	-	21,351,770	-	-	
China Merchants Bank Co., Ltd. — Boshi Zhongzheng State-owned Enterprise Structure Adjustment Trading Open Type Index Security Investment Fund	Others	0.23	21,351,770	+21,351,770	-	21,351,770	-	-	

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	Type of share	Amount
	at the end of the year	Type of share	
Anshan Iron & Steel Group Co. Ltd.	5,016,111,529	Renminbi ordinary shares	5,016,111,529
HKSCC (Nominees) Limited	1,398,193,806	Overseas listed foreign shares	1,398,193,806
China National Petroleum Corporation	845,000,000	Renminbi ordinary shares	845,000,000
Power Construction Corporation of China	468,000,000	Renminbi ordinary shares	468,000,000
Hong Kong Securities Clearing Company Limited	95,832,672	Renminbi ordinary shares	95,832,672
Central Huijin Asset Management Ltd.	94,348,670	Renminbi ordinary shares	94,348,670
Abu Dhabi Investment Authority	29,545,100	Renminbi ordinary shares	29,545,100
Bank of China Limited- Fullgoal CSI Stateowned Enterprises the Belt and Road Trading Open Type Index Security Investment Fund	21,501,640	Renminbi ordinary shares	21,501,640

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)

Name of shareholder	Number of shares held not subject to trading moratorium	Type of share	Amount
	at the end of the year	Type of share	
China Merchants Bank Co., Ltd.- Boshi Zhongzheng State-owned Enterprise Innovation-Driven Trading Open Type Index Security Investment Fund	21,351,770	Renminbi ordinary shares	21,351,770
China Merchants Bank Co., Ltd.- Boshi Zhongzheng State-owned Enterprise Structure Adjustment Trading Open Type Index Security Investment Fund	17,862,147	Renminbi ordinary shares	17,862,147

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
Description of top ten ordinary shareholders to participate in financing business (if any)	None

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

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

2. Details of the controlling shareholder of the Company

Name of Controlling Shareholder	Legal representative	Date of incorporation	Organization code	Registered capital	Principal scope of operation
Angang Holding	Wang Yidong	9 July 1949	912103002414200141	RMB26.0 billion	Purchase and sales of metal, non-metallic mineral, iron ore and concentrate, processing, passenger transport, transportation of dangerous goods, industrial and civil gases, refractory earth and stone, ferrous metal, steel rolling products, metal products (excluding franchising), coking products, refractory products, electrical machinery, equipment of electricity transmission and distribution and control equipment, instrumentation, railway telecommunication equipment, metallurgical machinery and equipment and manufacturing of spare parts, survey and design of engineering, development, transfer, consulting, services, training of technology, mining of refractory earth and rock, construction, installation of equipment, survey and design, equipment and spare parts, metallurgical materials, alloy and metal materials, sales of steel, iron, vanadium, titanium and coke.

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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

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

Stock Code	Name of Shares	Number of shares held	Percentage of total share capital
600705	AVIC Capital	1,900,704	0.021%
601989	CSIC	14,420,000	0.063%
601988	Bank of China	103,611,387	0.035%
HK.03988	Bank of China	76,361,000	0.026%
601088	China Shenhua	7,577,949	0.038%
HK.01088	China Shenhua	4,562,500	0.023%
600019	Bao Steel	5,586,677	0.025%
HK.01288	ABC	52,346,000	0.015%
600507	Fangda Special Steel	6,089,800	0.421%
002110	San Steel MinGuang	15,903,944	0.649%
601006	Daqin Railway	25,991,877	0.175%
000729	Yanjing Beer	2,339,400	0.083%
000983	Xishan Coal Electricity	664,714	0.021%
HK.00902	Huaneng Power International	11,880,000	0.076%
002001	NHU	527,123	0.025%
600547	ShanDong Gold	633,800	0.020%
400069	Jien 3	2,169,020	0.277%
000629	Pangang Vanadium Titanium	928,946,141	10.815%
836861	Anshan Falan	50,400,000	36.000%

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

3. Details of de facto controller of the Company



Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

3. Details of de facto controller of the Company (Continued)

Name of de facto controller	Person-in-charge	Date of incorporation	Organization code	Registered Capital	Principal scope of operation
Anshan Iron& Steel Group Co. Ltd	Tan Chengxu	28 July 2010	91210000558190456G	RMB50 billion	Manufacture of steel, iron, vanadium, titanium, stainless steel and special steel, manufacture of non-ferrous metal, steel rolling and processing, mining and integrated utilization of steel, vanadium, titanium, other non-ferrous metal and non-metallic mineral, ancillary industry of mines, power generation with clean energy, sales of coal and related products, production and sales of chemical products, gas (exclusive of dangerous chemicals) and refractory materials, construction of industrial and mining projects as well as metallurgical project, engineering technological service, equipment manufacturing, information service for IOT, technological service for energy saving and environmental protection, R&D of new type of materials, development of recyclable resources, machinery processing, technological development, transfer and related services, service in communication and transportation, real estate development, energy supply of urban area, software and information technological service, intelligent manufacturing and service, domestic and overseas trading, accounting management, tendering services, medical nursing services, occupational skills training, economic information consultation, corporate management, hotel and catering services, operation of other state-owned assets and investment within the scope of authority by the SASAC. The following businesses operated by the branches of the Company include: publication of newspaper and magazine, publication printing, packaging decoration and printing of other presswork. (for projects subject to approval according to laws, business activities may only be carried out after obtaining approval from relevant authorities).

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

3. Details of de facto controller of the Company (Continued)

During the Reporting Period, details of direct shareholding of other domestic and overseas listed foreign shares by Angang, the de facto controller of the Company are as follows:

Stock Code	Name of Shares	Number of shares held (share)	Percentage of total share capital (%)
601857	China Petroleum	220,000,000	0.12
601669	POWERCHINA	153,045,340	0.99

There was no change in de facto controller of the Company during the Reporting Period.

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 2019, 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
Anshan Iron & Steel Group Co. Ltd.	5,016,111,529 State shares	53.33%	-	62.75%	Beneficial owner
HKSCC Nominees Limited	1,398,193,806 H Shares	14.87%	99.05%	-	Nominee
China National Petroleum Corporation	845,000,000 A Shares	8.98%	-	10.57%	Beneficial owner

5. Restrictions on reduction of shares for the controlling shareholder, de facto controller, party to restructuring and other commitment entity

Applicable Not applicable

Information on Directors, Supervisors, Senior Management and Employees

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

Name	Position	Status of Position	Gender	Age	Date of Commencement of Term	Date of Termination of Term	No. of Shares Held at the Beginning of the Reporting Period (shares)	No. of Shares Increased in the Reporting Period (shares)	No. of Shares Reduced in the Reporting Period (shares)	No. of Shares Held at the End of the Reporting Period (shares)
Wang Yidong	Chairman	In office	Male	51	2017.11.23	-	7,650	2,295	-	9,945
	Executive Director	In office			2013.07.08	-				
Li Zhen	Deputy General Manager (in charge)	In office	Male	49	2018.01.10	-	0	-	-	0
	Executive Director	In office			2018.03.05	-				
Li Zhongwu	Executive Director	In office	Male	57	2020.03.16	-	0	-	-	0
	Deputy General Manager	In office			2019.12.30	-				
Ma Lianying	Deputy General Manager, Chief Accountant, Joint Company Secretary (i.e. Company Secretary)	In office	Male	57	2018.01.10	-	0	-	-	0
	Executive Director	In office			2018.03.05	-				
Wu Dajun	Independent Non-Executive Director	In office	Male	63	2016.06.08	-	0	-	-	0
Feng Changli	Independent Non-Executive Director	In office	Male	56	2018.06.05	-	0	-	-	0
Wang Jianhua	Independent Non-Executive Director	In office	Male	46	2019.5.28	-	0	-	-	0
Wang Wanglin	Independent Non-Executive Director	In office	Male	45	2020.03.16	-	0	-	-	0
Wang Baojun	Chairman of Supervisory Committee	In office	Male	53	2020.03.16	-	0	-	-	0
Li Wenbing	Supervisor	In office	Male	51	2020.03.16	-	0	-	-	0
Yuan Peng	Supervisor	In office	Male	52	2016.06.08	-	0	-	-	0
Meng Jingsong	Vice President	In office	Male	50	2016.03.30	-	0	-	-	0
Chen Chun	Joint Company Secretary (i.e. Company Secretary)	In office	Female	32	2017.10.20	-	0	-	-	0
Lin Daqing	Chairman of Supervisory Committee	Resigned	Male	54	2015.08.21	2019.5.28	0	-	-	0
Ma Weiguo	Independent Non-Executive Director	Resigned	Male	50	2016.06.08	2020.2.24	0	-	-	0
Xie Junyong	Executive Director	Resigned	Male	54	2018.03.05	2019.12.27	0	-	-	0
	Deputy General Manager	Resigned			2018.01.10	2019.12.27				
Lu Yongli	Chairman of Supervisory Committee	Resigned	Male	50	2019.5.28	2020.03.16	0	-	-	0
Liu Xiaohui	Supervisor	Resigned	Female	51	2016.06.08	2020.03.16	0	-	-	0
Xu Shishuai	Vice President	Resigned	Male	46	2016.03.30	2020.03.24	0	-	-	0

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.

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

I. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (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 2019, 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. Wang Yidong, the Chairman, an Executive Director of the Company and a senior engineer. He concurrently serves as the chairman of Angang Holding. Mr. Wang has obtained a master's 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 Group in 1991 and has previously held positions as the plant manager of the Cold-Rolling Plant (冷軋廠) of the Company, deputy general manager 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, manager of Baiyuquan Steel Branch Company (鮫魚圈鋼鐵分公司) of the Company, the Deputy General Manager and General Manager of the Company.

Mr. Li Zhen, an Executive Director, Deputy General Manager (in charge) of the Company. He is a professor-level senior engineer. Mr. Li graduated from Northeastern University* (東北大學) with a bachelor's degree of engineering, majoring in ferrous metallurgy and a master's degree and a doctoral degree in metallurgy engineering. Mr. Li joined Angang Group in 1991 and has held various positions including the plant manager of the Second Steel Making Plant and of the Main Steel Making Plant under the Company, general manager and director of Pangang Group Chengdu Steel Vanadium Co., Ltd.* (攀鋼集團成都鋼鈦有限公司) and Pangang Group Chengdu Steel & Iron Co., Ltd. (攀鋼集團成都鋼鐵有限公司), director and deputy chairman of Pangang Group Chengdu Investment Management Company Limited (攀鋼集團成都投資管理有限公司) and deputy chairman and chairman of Angang Guangzhou Lianzhong Stainless Steel Co., Ltd. (鞍鋼聯眾(廣州)不銹鋼有限公司) and Angang Guangzhou Hanyang Iron & Steel Company Limited (鞍鋼瀚陽(廣州)鋼鐵有限公司).

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

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)

Mr. Li Zhongwu, an Executive Director, Deputy General Manager and senior engineer of the Company. Mr. Li graduated from the Metallurgy Department of Anshan Institute of Iron & Steel (鞍山鋼鐵學院冶金系) majoring in iron and steel metallurgy with a bachelor's degree in engineering. Mr. Li joined Angang Group in 1987, and had previously held various positions including the deputy general manager of Angang Holding, general manager of Chaoyang Anling Iron & Steel Company Limited* (朝陽鞍凌鋼鐵有限公司), deputy general manager of Angang Holding, Executive Director and Deputy General Manager of the Company, general manager of Angang Group Automobile Steel Marketing (Service) Center* (鞍鋼集團汽車鋼營銷(服務)中心), director of Angang Holding, external director of Angang Group Mining Co., Ltd.* (鞍鋼集團礦業有限公司), and director and deputy general manager of Pangang Group Company Limited* (攀鋼集團有限公司), director of Pangang Group Vanadium & Titanium Resources Co., Ltd.* (攀鋼集團鈮鈦資源股份有限公司).

Mr. Ma Lianyong, an Executive Director, Deputy General Manager, the Chief Accountant, a Joint Secretary to the Board (Joint Company Secretary) and a professor-level senior accountant. Mr. Ma received a master's degree in engineering, majoring in financial management from Northeastern University (東北大學) and a master's degree in engineering, majoring in industrial foreign trade from Beihang University (北京航空航天大學). He has been working for Angang Group for over 30 years and has held various positions including head of the financial planning department, chief accountant and secretary to the board, chief accountant of Pangang Group Company (攀鋼集團有限公司), external director of Angang Group Finance Co., Ltd. (鞍鋼集團財務有限責任公司), director of Pangang Vanadium & Titanium, and external director of Hoin Real Estate Co., Ltd.* (合誼地產有限公司).

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

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:

Mr. Wu Dajun, an independent Non-Executive Director of the Company, PRC certified accountant, and a professor in accounting. Mr. Wu graduated from Liaoning Institute of Finance and Economics with a bachelor's degree in economics majoring in industrial accounting and graduated from Dongbei University of Finance and Economics majoring in accounting and obtained a master's degree in management and a PhD in management. At Dongbei University of Finance and Economics, Mr. Wu had served as the director of the Teaching and Research Office of the Accounting Department, deputy director of the Accounting Department and vice president of the School of Accounting, a professor in the School of Accounting of Dongbei University of Finance and Economics, the director of the provincial level Key Laboratory of Accounting Information, and the discipline leader in management accounting at Dongbei University of Finance and Economics.

Mr. Feng Changli, an independent Non-Executive Director of the Company and doctor in business management, currently serves as a professor at the Faculty of Management and Economics of Dalian University of Technology (大連理工大學管理與經濟學部). Mr. Feng graduated from Dalian College of Technology (大連工學院) with a bachelor's degree in electronics; from Dalian University of Technology with a master's degree in systems engineering; and from Dalian University of Technology with a doctorate in business management. Mr. Feng served as the director of the information department of Dalian Branch of China Petroleum Engineering Co., Ltd., the party branch secretary of Enterprise Management Department of Faculty of Management of Dalian University of Technology, and the party branch secretary of Institute of Operations & Logistics of School of Business Administration of Dalian University of Technology. Mr. Feng is also an evaluation expert for the key special projects under the national key research and development programs, an evaluation expert for the science and technology awards of the Ministry of Education, an evaluation expert for academic dissertations at China Academic Degrees & Graduate Education Development Center, and an expert reviewer for domestically and internationally renowned journals including International Journal of Production Research, Chinese Journal of Management Science (《中國管理科學》) and Management Review (《管理評論》).

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

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. Wang Jianhua, an independent Non-Executive Director of the Company, and is currently the chief steel analyst of Shanghai Ganglian E-commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司). Mr. Wang graduated from Renmin University of China with a bachelor's degree in international trade. Mr. Wang served as an assistant engineer and engineer of the research institute under Baosteel Group Co., Ltd.* (寶鋼集團有限公司); deputy director and director of the research center and editor-in-chief of the chief editor office of Shanghai Ganglian E-Commerce Co., Ltd.*; and a visiting professor at Shanghai University of International Business and Economics. Mr. Wang holds the certificate for independent directors issued by the Shenzhen Stock Exchange and currently serves as an independent director of Fujian Sangang Minguang Co., Ltd.* (福建三鋼閩光股份有限公司), a company listed on the Shenzhen Stock Exchange.

Mr. Wang Wanglin, an independent Non-Executive Director of the Company, and is currently a deputy director and lawyer of Beijing Zhicheng Lawyer (北京市致誠律師事務所), a practice tutor of postgraduates of law of Beijing Technology and Business University (北京工商大學) and a supervisor of the supervisor committee of Chinese Young Volunteers Association (中國青年志願者協會). Mr. Wang Wanglin graduated from Beijing Technology and Business University with a master's degree in civil and commercial law. Mr. Wang Wanglin has been granted titles such as a National Advanced Individual for Helping the Disabled, an Outstanding Party Member of institutions directly under the Ministry of Justice, and an Outstanding Youth. Mr. Wang Wanglin has served as the deputy director of Legal Aid Division of the Department of Justice (司法部法律援助司), the director of Community Correction Authority of Department of Justice (司法部社區矯正管理局), the temporary cadre of the eighth batch of National Public Complaints and Proposals Administration of the Central Organization Department (中組部第八批國家信訪局), the seventh batch cadre sent to support Tibet of the Central Organization Department (中組部第七批), the deputy director of Tibet Bureau of Prisons (西藏監獄管理局), the head of Tibet Police Hospital for Criminal Justice (西藏司法警官醫院).

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

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

Shareholders' representative Supervisor:

Mr. Wang Baojun, Supervisor of the Company, is currently the general manager of Audit Department and the head of Audit Centre of Angang, and a senior accountant. Mr. Wang graduated from East China University of Metallurgy (華東冶金學院), majoring in industrial accounting; and he obtained a master's degree in business administration for the senior management, graduating from University of Electronic Science and Technology of China (電子科技大學). Mr. Wang joined Pangang Group Company Limited*(攀鋼集團有限公司) in 1988, served as the head of Audit Department of Pangang Group Company Limited, the head of Audit Department (Risk Management Department) of Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團鋼鐵鈮鈦股份有限公司), the head of Audit Department of Angang Group and also a supervisor of Angang Group Integrated Industrial Company Limited* (鞍鋼集團綜合實業有限公司) and Engineering Technological Development Company Limited* (工程技術發展有限公司), an external director of Pangang Group Company Limited and Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司).

Mr. Li Wenbing, Supervisor of the Company, currently serves as deputy general manager of Legal Compliance Department and the senior economist of Angang. Mr. Li graduated from Northeastern University (東北工學院), Department of Social Science with a bachelor's degree in law majoring in ideological and political education; graduated from Dalian Maritime University (大連海事大學) with a master's degree in law majoring in international economic law. Mr. Li joined Angang Group in 1992, had previously held various positions including the head of the litigation office of the Legal Department of Angang Holding and general counsel of Angang Steel; the deputy head of the litigation division of the Legal Department (presiding) of Angang Holding, the deputy department head of the Legal Department of Angang Holding; the deputy department head of the Legal Department of Angang Steel and the deputy director of the Legal Compliance Department of Angang.

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

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 (Continued)

Staff Representative Supervisor:

Mr. Yuan Peng, Supervisor of the Company, is a senior political affairs specialist and currently the deputy chairman of the labor union of the Company and Angang Holding. Mr. Yuan graduated from Liaoning Normal University in politics with a bachelor's degree of laws, and from the Party School of the Central Committee in postgraduate studies in economics and law. Mr. Yuan joined Angang Group in 1989 and subsequently held various positions including the deputy director in charge of the production and technology department of the Communist Youth League of Angang Holding, deputy director in charge of the office of the Communist Youth League of Angang Holding, and deputy director and director of the integrated office of the labor union of Angang Holding.

Other Senior Management Members

Mr. Meng Jingsong, a professor-level senior engineer, is a deputy general manager of the Company. Mr. Meng obtained a PhD from Northeastern University in iron and steel metallurgy. Mr. Meng joined Angang Group in 1994, and had previously held various positions including the assistant to director of Sales & Marketing Department of the Company, plant manager of First Steel Making Plant, deputy manager of Bayuquan Iron & Steel Branch Company, vice director of the Technical Quality Control Department of Angang, director of Technology Development Department of Angang.

Ms. Chen Chun, joint secretary to the Board (i.e. joint company secretary) of the Company, is currently a business development manager of SW Corporate Service Group Limited. Ms. Chen graduated from Shanghai Finance University with a bachelor's degree in Economics. Ms. Chen is an associate member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Chen is granted the qualification certificate for secretary to the board of directors by Shanghai Stock Exchange. Ms. Chen currently provides support and advisory services on listed companies' company secretarial work and compliance matters.

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 the term	Receipt of remuneration and allowance in the shareholder
Wang Yidong	Angang	Vice president	2017.05	-	Yes
	Angang Holding	Chairman	2017.12	-	-
Lin Daqing	Angang	Chairman of the labor union	2018.12	-	Yes
Liu Xiaohui	Angang Holding	Acting as general counsel and general manager of legal compliance department	2019.08	-	Yes
Lu Yongli	Angang Holding	Chairman of Supervisory Committee	2017.03	2019.08	Yes
Yuan Peng	Angang Holding	Deputy Chairman of the Labor Union	2013.03	-	No
Wang Baojun	Angang	General manager of audit department, director of Audit Center	2016.12	-	Yes
Li Wenbing	Angang	Deputy general manager of legal compliance department	2019.07	-	Yes
Details of the position held at the shareholder			-		

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

II. EMPLOYMENT INFORMATION (CONTINUED)

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 the term	Receipt of remuneration and allowance at such other organization
Ma Weiguo	Shanghai Yichen Investment Management Co., Ltd. (上海億宸投資管理公司)	Chairman of the board of directors	2017.07	-	Yes
Feng Changli	Economics of Dalian University of Technology	Professor	2016.12	-	Yes
Wang Jianhua	Shanghai Ganglian E-commerce Holdings Co., Ltd.	Chief steel analyst	2015.01	-	Yes
Lu Yongli	China Hualu Group Co., Ltd. (中国华集团有限公司)	Member of Party committee and secretary of Discipline Inspection Commission	2019.08	-	Yes
Chen Chun	SW Corporate Service Group Limited	Company secretary senior supervisor	2017.01	-	Yes
Wang Wanglin	Beijing Zhicheng Lawyer	a deputy director and a lawyer	2018.11	-	Yes
Details of the position held at other organizations			-		

Penalty imposed on incumbent Directors, Supervisors and senior management or those resigned during the Reporting Period by securities regulatory authorities for the last three years

Applicable Not applicable

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 before Tax Received from the Company (RMB'000)	Whether the remuneration was received from a corporate shareholder
Wang Yidong	Executive Director and Chairman	Male	51	Incumbent	-	Yes
Li Zhen	Executive Director and Deputy General Manager (in charge)	Male	49	Incumbent	115.56	No
Ma Lianyong	Executive Director and Deputy General Manager, Chief Accountant, Joint Secretary to the Board (i.e. Company Secretary)	Male	57	Incumbent	90.20	No
Wu Dajun	Independent Non-Executive Director	Male	63	Incumbent	12	No
Ma Weiguo	Independent Non-Executive Director	Male	50	Resigned	12	No
Feng Changli	Independent Non-Executive Director	Male	56	Incumbent	12	No
Wang Jianhua	Independent Non-Executive Director	Male	46	Incumbent	8	No

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

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

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

Name	Position	Gender	Age	Status of Position	Total Remuneration before Tax Received from the Company (RMB'000)	Whether the remuneration was received from a corporate shareholder
Lu Yongli	Chairman of Supervisory Committee	Male	50	Resigned	-	Yes
Liu Xiaohui	Supervisor	Female	51	Resigned	-	Yes
Yuan Peng	Supervisor	Male	52	Incumbent	53.47	No
Li Zhongwu	Executive Director and Vice President	Male	57	Incumbent	-	No
Meng Jingsong	Vice President	Male	50	Incumbent	89.63	No
Chen Chun	Joint Company Secretary (i.e. Company Secretary)	Female	32	Incumbent	-	No
Lin Daqing	Chairman of Supervisory Committee	Male	54	Resigned	-	Yes
Xie Junyong	Executive Director and Vice President	Male	54	Resigned	90.17	No
Xu Shishuai	Vice President	Male	46	Resigned	88.50	No
Total	-	-	-	-	571.53	-

Note: The above remuneration excludes the insurance, welfare fund, education surcharges and other costs of salary recorded by the Company, among which the remuneration of executive directors, supervisors and senior managers is the total amount of performance salary received in 2019 and risk annual salary paid in 2018.

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
Wang Jianhua	Independent Non-executive Director	Elected	28 May 2019	Re-election and appointment
Lu Yongli	Supervisor	Elected	28 May 2019	Re-election and appointment
	Chairman of Supervisory Committee	Elected	28 May 2019	Re-election and appointment
Lin Daqing	Supervisor and Chairman of Supervisory Committee	Resigned	28 May 2019	Re-election and appointment
Li Zhongwu	Vice President	Appointed	30 December 2019	Change of job
	Executive Director	Elected	16 March 2020	Election
Xie Junyong	Vice President	Resigned	27 December 2019	Change of job
	Executive Director	Resigned	27 December 2019	Change of job
Ma Weiguo	Independent Non-Executive Director	Resigned	24 February 2020	Personal reasons
Lu Yongli	Supervisor	Resigned	16 March 2020	Change of job
	Chairman of Supervisory Committee	Resigned	16 March 2020	Change of job
Liu Xiaohui	Supervisor	Resigned	16 March 2020	Change of job
Wang Wanglin	Independent Non-Executive Director	Elected	16 March 2020	Election
	Director			
Wang Baojun	Supervisor	Elected	16 March 2020	Election
	Chairman of Supervisory Committee	Elected	16 March 2020	Election
Li Wenyong	Supervisor	Elected	16 March 2020	Election
Xu Shishuai	Vice President	Resigned	24 March 2020	Change of job

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

V. EMPLOYEES OF THE COMPANY

1. Number and constitution of employees

Number of current employees in the Company <i>(person)</i>	29,739
Number of current employees in major subsidiaries <i>(person)</i>	4,011
Total number of current employees <i>(person)</i>	33,750
Total number of employees receiving remuneration during the period <i>(person)</i>	33,750
Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations <i>(person)</i>	0

Specialty composition

Category of specialty composition	Number of people <i>(person)</i>
Production	24,420
Sales	310
Technical	2,831
Finance	256
Administration	1,674
Others	4,259
Total	33,750

Education level

Category of education level	Number of people <i>(person)</i>
Bachelor's degree and above	9,375
Post-secondary	9,303
Technical secondary school	13,386
Others	1,686
Total	33,750

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

V. EMPLOYEES OF THE COMPANY (CONTINUED)

2. Training programs

In 2019, the training work of Angang Steel followed the implementation of the spirit of the 19th Party Congress, aimed to cultivate industry leading talents and the core team, the Company comprehensively conducted systematic, modular and precise education and training with close focus on the production and operation of the Company, promoted the development of training programs of different terms, levels and scale, and effectively made use of the general and basic training to strive to create featured and quality training program, support the high quality development of the Company with the quality and capacity of employees further improved, and provide sound talent backup and intellectual support to the objective of building up an iron & steel enterprise with the strongest comprehensive competitiveness.

In the whole year, the attendance of the company entrusted training was 14,049; the attendance of the independent special training of the Company was 4,420; 25,095 primary employees received training for job knowledge and operational skills; the attendance of employees holding the work permits for special operations for safety qualification training was 7,880. The planned training targets were achieved.

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.

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 Guidelines for the Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system.

The corporate governance of the Company had nothing significantly inconsistent with the regulatory documents on corporate government of listed companies issued by the CSRC.

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

Applicable Not applicable

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

1. General meeting during the Reporting Period

<u>Session of Meeting</u>	<u>Type of Meeting</u>	<u>Proportion of investors involvement</u>	<u>Date of convening</u>
2018 annual general meeting	Annual general meeting	64.99%	28 May 2019

Corporate Governance (Continued)

V. DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS DURING THE REPORTING PERIOD

1. Attendance of independent non-executive Directors at Board meeting and general meeting

Attendance of independent non-executive Directors at Board meeting

Name of independent non-executive Director	Required attendance at the Board meetings during the Reporting Period	Attendance			Non-attendance in person for two consecutive times	
		Attendance in person	Attendance through communication	Attendance by proxy	Absence	
Wu Dajun	20	5	15	0	0	No
Ma Weiguo	20	4	15	1	0	No
Feng Changli	20	5	15	0	0	No
Wang Jianhua	15	3	12	0	0	No
Attendance of independent non-executive Directors at general meetings						one time

2. Disagreement of independent non-executive Directors on relevant issues of the Company

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

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT

1. Corporate governance practice

With shares listed in both Hong Kong and Shenzhen stock exchanges, 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 maximize 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.

- (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 2019, 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 endeavored to reduce the legal risks for Directors. Therefore, no insurance arrangement was made in respect of the Directors.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

2. Securities transactions of the directors

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

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

3. Independent non-executive director

Throughout the Reporting Period, the Board of the Company had 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 Board of the Company comprises seven members including three executive Directors (including one Chairman) and four independent non-executive Directors as at the end of the Reporting Period. 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.

The Board of the Company held 20 board meetings and considered and approved 50 proposals in 2019.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(1) Composition of the Board (Continued)

Members of the Board of the Company and their attendance at the meetings in 2019 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
Wang Yidong	Chairman	20(0)/100%	1/100%
Li Zhen	Executive Director	20(0)/100%	0/0%
Ma Lianyong	Executive Director	20(0)/100%	1/100%
Wu Dajun	Independent Non-Executive Director	20(0)/100%	1/100%
Ma Weiguo	Independent Non-Executive Director	20(1)/100%	1/100%
Feng Changli	Independent Non-Executive Director	20(0)/100%	1/100%
Wang Jianhua	Independent Non-Executive Director	15(0)/100%	-
Xie Junyong	Executive Director	19(1)/100%	0/0%

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 final accounts 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 decide the Company's external investment, acquisition and sale of assets, asset mortgage, external guarantee, entrusted financial management, related transactions within the scope of powers prescribed by laws, regulations and listing rules of the Company's listing places and the authorization of the general meeting;
- ix. to determine the Company's internal management structure;
- x. 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 the financial controller as nominated by the manager, and determine their remunerations, awards and punishment;
- xi. to prepare the Company's basic management system;

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

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

- xii. to prepare amendments to the Articles of Association of the Company.
- xiii. to manage the Company's information disclosure;
- xiv. to propose to the general meeting to hire or replace the accounting firm for the Company;
- xv. to hear the work report of the Company's manager and check the work of the manager;
- xvi. other powers granted by laws, administrative regulations, departmental rules or the Articles of Association of the Company.

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

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

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(3) Remuneration and Appraisal Committee

In 2019, the Remuneration and Appraisal Committee of the Company held one meeting which mainly assessed the performance of the Directors and senior management of the Company during 2018 and reviewed their remunerations for 2018, and submitted the same to the Board for consideration.

In 2019, the members of the Remuneration and Appraisal Committee of the Company and their attendance at meetings are as follows:

Name	Position in the Committee	Attendance at meetings
Feng Changli	convener	100%
Wang Yidong	member	100%
Xie Junyong	member	100%
Wu Dajun	member	100%
Wang Jianhua	member	–
Ma Weiguo	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 corporate goals and objectives set up by the Board;
- (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 Officer on the remuneration of other 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.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(4) Nomination Committee

In 2019, the Nomination Committee of the Company held two meetings to nominate to the Board the candidates of directors, candidates of independent non-executive directors, deputy general manager, and other personnel of the Company in accordance with the qualification requirements and relevant requirement of regulations and the Articles of Association of the Company.

In 2019, the members of the Nomination Committee of the Company and their attendance are as follows:

Name	Position in the Committee	Attendance at meetings
Wu Dajun	convener	100%
Wang Yidong	member	100%
Ma Lianyong	member	100%
Ma Weiguo	member	100%
Feng Changli	member	100%
Wang Jianhua	member	100%

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(4) Nomination Committee (Continued)

Main duties of the Nomination Committee are:

- (a) to review the structure, size, composition of the Board (including skills, knowledge and experience) 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 reappointment of Directors and succession plan for Directors, in particular, the Chairman and the General Manager.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(5) Audit Committee

In 2019, the Audit Committee of the Company held a total of four meetings. During the meetings, the Audit Committee mainly reviewed the quarterly, interim and annual financial statements of the Company and financial information set out in the quarterly, interim and annual reports of the Company, reviewed the internal control system of the Company, changes in accounting policies and nominated auditor of the Company for 2019, etc.

In 2019, the members of the Audit Committee of the Company and their attendance are as follows:

Name	Position in the Committee	Attendance at meetings
Ma Weiguo	convener	100%
Wu Dajun	member	100%
Feng Changli	member	100%
Wang Jianhua	member	100%

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 2019.

Corporate Governance (Continued)

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 summarized its performance as follows:

- Opinions after reviewing the Financial Report for 2019

The Company's financial report for 2019 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 2019

ShineWing Certified Public Accountants (Special General Partnership) performed their duties during the auditing of the Company's financial statements for 2019 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.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(5) Audit Committee (Continued)

- Opinions on 2019 Self-evaluation Report on Internal Control

The Audit Committee reviewed the Company's internal control system and report in accordance with the requirements of the Corporate Governance Code of the Hong Kong Listing Rules, including considering whether the company's resources, staff qualifications and experience in accounting and financial reporting functions are sufficient, and whether the training courses and related budgets received by the staff are sufficient.

During the Reporting Period, the Company established an internal control system for businesses and matters covered by the assessment scope of 2019 Self-evaluation Report on Internal Control and effectively implemented the system, hence achieving the Company's internal control objectives. No cases of material and significant defects were found in the system. Accountants of the Company have obtained certificate of accounting professional and received post-trainings each year according to the Administrative Procedures for Education and Training (《教育培訓管理辦法》) under adequate training budget.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(5) Audit Committee (Continued)

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 judgments 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 control, internal control and risk management system at least annually, and, unless there is another risk committee under the Board or the Board itself explicitly deals with it, review the Company's risk management and internal control system;
- (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 programs 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;

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(5) Audit Committee (Continued)

- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in respect of the terms of reference;
- (n) to consider other topics, as defined by the Board;
- (o) to review arrangements as: employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(6) Training for Directors

In 2019, all the directors of the Company have received relevant training and studied relevant laws and regulations at home and abroad, relevant rules and updates of Shenzhen Stock Exchange and Hong Kong Stock Exchange, details of which are as follows:

Name	Position in the Board	Continuous Professional Training Category
Wang Yidong	Chairman	B
Li Zhen	Executive director	B
Ma Lianyong	Executive director	A · B
Wu Dajun	Independent Non-Executive Director	B
Ma Weiguo	Independent Non-Executive Director	B
Feng Changli	Independent Non-Executive Director	B
Wang Jianhua	Independent Non-Executive Director	B
Xie Jun Yong	Former Executive director	B

Note: A: Attend meetings/forums/reporting meetings/trainings/lectures relating to businesses or functions of the Directors

B: Internal trainings of the Company/read supervisory update information about laws, rules and regulations relating to the roles and functions of the Directors,

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

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;
- iv. to exercise other powers conferred by the Board.

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. Joint company secretaries

Mr. Ma Lianyong and Ms. Chen Chun, the current joint secretaries of the Company, were respectively appointed by the Board on 10 January 2018 and 20 October 2017. Their biographies are set out in the section of “Information on Directors, Supervisors, Senior Management and Employees” in this annual report. Ms. Chen Chun is nominated as the joint company secretary of the Company by SW Corporate Service Group Limited (“SW Group”). SW Group has provided certain corporate secretarial services to the Company pursuant to the engagement letter entered into between the Company and SW Group. Mr. Ma Lianyong is the major contact person of Ms. Chen and the Company in relation to corporate secretarial matters. Mr. Ma is also a deputy general manager, chief accountant, joint secretary to the Board and joint company secretary of the Company.

The joint company secretaries of the Company are in compliance with Rule 3.29 of the Hong Kong Listing Rules during the Reporting Period.

7. Rights of shareholders

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

Pursuant to Article 77 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).

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

7. Rights of shareholders (Continued)

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

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.

The Supervisory Committee 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 Supervisory Committee fails to give a notice convening a general meeting within the prescribed period of time, it shall be deemed as not to convene and hold such a general meeting, in which circumstance, shareholder(s) individually or aggregately holding more than 10% of the shares of the Company shall be entitled to convene and chair such a general meeting on its/their own.”

- (2) The procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed.
- (3) Procedures and sufficient contact details for putting forward proposals at the general meetings.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations

(1) Communication with Shareholders

In order to protect the rights of its shareholders, the Company convenes general meetings at appropriate time and venue according to the relevant requirements and notifies its shareholders in a timely manner. The general meetings are convened by adopting way of poll combining on-site voting and online voting to ensure that the shareholders can exercise their rights.

Through holding Hong Kong results announcement press conference, participating in a strategy conferences held by securities firms, and in-house visits for investors with a view, we will keep in close contact with investors. In 2019, the Company held a total of 14 investor relations activities and conducted face-to-face interactions with 121 investors from 95 institutions. Investors conducted interactions on industry development prospects, production and operation and other issues, and transmitted the Company's value information.

(2) Significant Changes in the "Articles of Association"

On 28 May 2018, the Company's 2018 annual general meeting approved the 2018 profit distribution policy, which included issuing 3 new shares for every 10 existing shares out of capital reserve. As a result, the Company's registered capital increased from RMB7,234,807,847 to RMB9,405,250,201. Therefore, the 2018 annual general meeting also approved the "Proposal on Changing Registered Capital and Amending the 'Articles of Association'" to approve the change in registered capital due to the conversion of capital reserves to share capital and amend the corresponding content in the "Articles of Association".

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

9. 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 under the Hong Kong Listing Rules 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 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.

10. Risk management and internal control

The Board has reviewed the Company's risk management and internal control systems. The Company has an internal audit department and internal audit function. In 2019, the Company reviewed the 2018 internal control system and the 2019 annual risk management each for once. The Board believes that the Company's risk management and internal control system settings are sufficient and effective.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

11. Remuneration of auditor

For the year ended 31 December 2019, the Company paid audit fees of RMB5.0 million to the external auditor of the Company, of which RMB4.30 million was paid for audit fees of annual financial report and RMB0.70 million was paid for audit fees of internal control.

12. Board diversity policy

According to the regulations of the Hong Kong Stock Exchange, the Company has formulated the “Board Diversity Policy”. The company is committed to the principle of equal opportunity in all aspects of business, and no one will be discriminated against due to race, gender, disability, religion or ideological belief, age, sexual orientation, family position or any other factors.

The Company strives to ensure that board members maintain an appropriate balance in terms of skills, experience and diversity of views and perspectives to provide different views and perspectives, opinions and questions, and ensure the implementation of the Company’s business strategy and the efficient operation of the board of directors. The appointment of members of the board of directors will continue to be based on the principle of employing only the best, considering the candidates who can serve as members of the board of directors according to objective criteria, and taking due account of the benefits of diversity of members of the board of directors.

Corporate Governance (Continued)

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. 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

The proportion of the total unit asset under the scope of evaluation to the total assets of the consolidated financial statements of the Company 91.64%

The proportion of the unit operating income under the scope of evaluation to the operating income of the consolidated financial statements of the Company 94.19%

Corporate Governance (Continued)

VIII. INTERNAL CONTROL (CONTINUED)

2. Self-evaluation report on internal control (Continued)

Defect identification standards

Type	Financial report	Non-financial report
Qualitative identification standard	<p>1. Significant defect:</p> <p>(1) The directors, supervisor and senior management are found to have fraudulent behavior;</p> <p>(2) Amendment to the published financial report of the Company;</p> <p>(3) there was a material misstatement in the financial statements, and the internal control failed to find the misstatement during the operation;</p> <p>(4) The supervision of internal control by the enterprise audit committee and the internal audit institution was invalid</p>	<p>1. Defect identification standards for internal control of daily operations:</p> <p>(1) General defect: has medium or below impact on the normal operation of the Company; 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 certain consideration for its recovery in a certain period.</p> <p>(2) Major defect: has relatively large impact on the normal operation of the Company; 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</p> <p>(3) Significant defect: has significant impact on the normal operation of the Company; 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.</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>2. Major defect:</p> <p>The severity and economic consequences of accounting policies, accounting and financial reporting were lower than significant defects, but there still existed internal control defects that may cause the Company to deviate from the control objectives.</p>	<p>2. Defect identification standards for internal control of the Company's reputation as follows:</p> <p>(1) General defect: has medium or below impact on the Company and the Company is required to pay a certain consideration for its recovery in a certain period: the Company is required to pay a certain consideration for its recovery in a certain period; overly 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> <p>(2) Major defect: has relatively large impact on the Company and the Company is required to pay a certain consideration for its recovery in a longer period: 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 refund, thus the interests of both the Company and the customers are prejudiced; the Company is reported or publicly denounced 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) Significant defect: has significant impact on the Company and the Company is required to pay a considerable consideration for its recovery in a longer period; 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 for rectification by regulatory authorities</p>
	<p>3. General defect: Internal control defect other than significant defect and major defect.</p>	<p>3. Defect identification standards for internal control of the Company's safety:</p> <p>(1) General defect: affects minority of staff/public health/safety; relatively larger accidents.</p> <p>(2) Major defect: affects part of staff/public health/safety; major accidents.</p> <p>(3) Significant defect: affects certain number of staff/public health/safety; significant accidents.</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
		4. Defect identification standards for internal control of the Company's environmental protection: (1) General defect: the occurrence of general environmental incident (National level IV). (2) Major defect: the occurrence of larger environmental accident (National level III) (3) Significant defect: Occurrence of environmental protection incident at the level of significant environmental accident (National level II) or above.
Quantitative identification standard	1. Significant defect: significant effect on financial indicators and liquidity (0.8 time \leq turnover of current assets < 1 time); effect on total profit \geq RMB50 million; effect on total assets \geq RMB8 billion.	

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
	2. Major defect: larger effect on – financial indicators and liquidity (0.5 times ≤ turnover of current assets < 0.8 time); RMB1 million ≤ effect on total profit < RMB50 million; RMB4.8 billion ≤ effect on total assets < RMB8 billion.	
	3. General defect: middle-level or smaller effect on liquidity (turnover of current assets < 0.5 time); effect on total profit < RMB10 million; effect on total assets < RMB4.8 billion.	

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

ShineWing 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 2019.

Type of opinion on the audit report on internal control Standard unqualified opinion

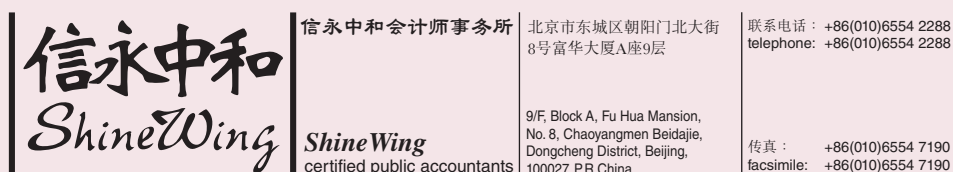
Whether there is material defect of the non-financial report No

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 2019 annual general meeting of the Company will be held on Thursday, 28 May 2020, details of which and the proposed resolutions are set out in the accompanying notice of annual general meeting of the Company.

Audit Report



XYZH/2020BJA150024

To the shareholders of Angang Steel Co., Ltd.

1. Opinion

We have audited the financial statements of Angang Steel Co., Ltd. (abbreviated as "Angang Steel Company" or "Company"), which comprise the consolidated and company's balance sheets as at December 31, 2019, and the consolidated and company's income statements, the consolidated and company's cash flow statements and the consolidated and company's statements of changes in shareholders' equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements of Angang Steel Company present fairly, in all material respects, the consolidated and company's financial position as at 31 December 2019, the consolidated and company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Angang Steel Company in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

3. Key Audit Matters

Key audit matters are those matters that we consider, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our audit opinion thereon, and we do not express a separate opinion on these matters.

3. Key Audit Matters (Continued)

3.1 Sales revenue recognition

3.1.1 Details

The sales revenue of Angang Steel Company is mainly due to the sales of steel products. The accounting policies related to revenue confirmation refer to Note 4(18). As stated in Note 6(39) “Operating income and operating costs”, the operating income of Angang Steel company in 2019 is RMB105,587 million. Operating income is an important subject of the company’s income statement, which is the main source of profit for the company. The accuracy and completeness of revenue recognition have a great impact on the company’s profit. Therefore, we recognize revenue recognition as a key audit matter.

3.1.2 Audit response

Understand, evaluate and test the effectiveness of internal control design and operations related to revenue recognition; Check whether the confirmation conditions, methods and confirmation time of the company’s sales revenue meet the requirements of the Accounting Standards for Business Enterprises; Select samples for transactions recorded in the current year, check sales details, sales contracts, cashier receipts, outbound orders, shipping documents, sales invoices, etc. to evaluate the authenticity of revenue recognition; In conjunction with the audit of accounts receivable, select the major customer’s letter of credit for the current year to evaluate the completeness of the revenue recognition; Conduct a cut-off test on sales transactions before and after the balance sheet date to assess whether the income is accounted in the appropriate accounting period; Check whether the presentation and disclosure of information related to revenue recognition in the financial statements is sufficient and appropriate.

3.2 Bad Debt Provision for overdue notes receivable

3.2.1 Details

In the process of selling goods, part of the Company’s payments are made by way of bank acceptance notes issued by financial companies. As of 31 December 2019, the relevant details about bank acceptance notes that were overdue but not paid(had been transferred to accounts receivable) are disclosed in Note 6.3.4, Note 6.4.2 and Note 15.

Audit Report (Continued)

3. Key Audit Matters (Continued)

3.2 Bad Debt Provision for overdue notes receivable (Continued)

3.2.1 Details (Continued)

Given that the amount involved in the above matters is large, the length of recovery period or whether it can be recovered depends on a series of implementation(Note 15), the Group's management made significant judgments and estimates on recognizing bad debt provisions for accounts receivable, in this respect we recognize the provision for related bad debts as a key audit matter.

3.2.2 Audit response

Obtain the group's management standards of bad debt provision of overdue notes receivable, test key internal controls; Evaluate key factors in recognizing bad debt provisions, including rights preservation status of overdue notes receivable, client's solvency ability, credit and other factors. Evaluate rationality of related bad debt provision; Obtain detailed table for accruing bad debts provision from the company, test whether the accrual method is implemented in accordance with the bad debt standards; Recalculate the accuracy of bad debt provision.

4. Other Information

The management of Angang Steel Company (hereinafter referred to as the "Management") is responsible for the other information. The other information comprises the information included in the Angang Steel Company's 2019 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

5. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Angang Steel Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate Angang Steel Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance of Angang Steel Company (hereinafter referred to as the "those charged with governance") are responsible to overseeing Angang Steel Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

- 6.1 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Audit Report (Continued)

6. Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 6.2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 6.3 Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- 6.4 Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Angang Steel Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Angang Steel Company to cease to continue as a going concern.
- 6.5 Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and also whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6.6 Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Angang Steel Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings etc., including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with those relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and related safeguards, where applicable.

Audit Report (Continued)

6. Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Certified Public
Accountants LLP

CICPA : Fan Jianping

CICPA : Fu Yangyi

China, Beijing

27 March 2020

Consolidated Balance Sheet

As at 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	31 December 2019	31 December 2018
Current assets:			
Cash and cash equivalents	6.1	4,671	2,154
Derivative financial assets	6.2		1
Notes receivable	6.3	2,635	7,184
Accounts receivable	6.4	2,569	2,460
Prepayments	6.5	3,405	1,408
Other receivables	6.6	100	50
Including: interests receivable	6.6		
Dividends receivable	6.6		
Inventories	6.7	9,793	13,125
Other current assets	6.8	319	526
Total current assets		23,492	26,908
Non-current assets:			
Long-term equity investments	6.9	2,894	2,803
Other investments in equity instruments	6.10	465	519
Other non-current financial assets	6.11	38	35
Fixed assets	6.12	50,966	50,064
Construction in progress	6.13	1,549	1,458
Right-of-use assets	6.14	162	
Intangible assets	6.15	6,163	6,315
Deferred income tax assets	6.16	1,028	781
Other non-current assets	6.17	1,051	1,141
Total non-current assets		64,316	63,116
Total assets		87,808	90,024
Current liabilities:			
Short-term loans	6.18	12,195	13,180
Derivative financial liabilities	6.19		3
Notes payable	6.20	3,143	1,400
Accounts payable	6.21	5,424	7,663
Contract liabilities	6.22	4,896	4,795
Employee benefits payable	6.23	153	183
Tax payable	6.24	(3)	589
Other payables	6.25	2,530	2,286
Including: interests payable	6.25	9	9
Dividends payable	6.25	8	
Non-current liabilities due within 1 year	6.26	1,003	2,648
Total current liabilities		29,341	32,747

Consolidated Balance Sheet (Continued)

As at 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	31 December 2019	31 December 2018
Non-current liabilities:			
Long-term loans	6.27	3,392	2,295
Bonds payable	6.28	1,513	1,574
Lease liability	6.29	160	
Long-term employee benefits payable	6.30	98	97
Deferred income	6.31	584	630
Deferred income tax liabilities	6.16	93	77
Other non-current liabilities	6.32	79	139
Total non-current liabilities		5,919	4,812
Total liabilities		35,260	37,559
Shareholders' equity:			
Share capital	6.33	9,405	7,235
Capital reserve	6.34	33,485	35,655
Other comprehensive income	6.35	(139)	(241)
Special reserve	6.36	54	49
Surplus reserve	6.37	3,723	3,628
Undistributed profit	6.38	5,551	5,636
Subtotal of Shareholders' equity attributable to shareholders of parent company		52,079	51,962
Minority interests		469	503
Total shareholders' equity		52,548	52,465
Total liabilities and shareholders' equity		87,808	90,024

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

*Person-in-charge of
accounting department:*
Gong Jin

Consolidated Income Statement

For the twelve months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
Operating income		105,587	105,157
Including: operating income	6.39	105,587	105,157
Operating costs		103,675	95,597
Less: operating costs	6.39	96,782	88,126
Tax and surcharges	6.40	962	1,184
Marketing expenses	6.41	3,064	3,067
Administrative expenses	6.42	1,331	1,266
Research and development expenses	6.43	443	483
Financial expenses	6.44	1,093	1,471
Including: interests expenses	6.44	1,083	1,416
Interests revenue	6.44	42	36
Add: Other income	6.45	82	83
Investment income (“-” for losses)	6.46	166	315
Including: income from investment in jointly ventures and associates	6.46	182	286
Gains/losses from fair value variation (“-” for losses)	6.47	65	60
Impairment losses on assets (“-” for losses)	6.48	137	74
Credit impairment loss (“-” for losses)	6.49	(340)	(10)
Asset disposal income (“-” for losses)	6.50	3	6
Operating profit (“-” for losses)		2,025	10,088
Add: Non-operating income	6.51	15	56
Less: Non-operating expenses	6.52	68	136
Profit before income tax (“-” for losses)		1,972	10,008
Less: Income tax expenses	6.53	212	2,056
Net profit for the period (“-” for losses)		1,760	7,952
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		1,760	7,954
ii. Termination of net profit (“-” for losses)			(2)
Classification according to ownership			
i. The net profit belongs to the owners of the company		1,787	7,952
ii. Minority interest income		(27)	

Consolidated Balance Sheet (Continued)

For the twelve months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
The net amount after tax of other comprehensive income			
	6.54	(83)	9
Net after-tax net of other comprehensive income attributable to the parent company owner	6.54	(83)	9
I. The other comprehensive income which can not be reclassified into profit or loss	6.54	(86)	6
i. Changes in fair value of other investments in equity instruments investment	6.54	(86)	6
II. The other comprehensive income which can be classified into profit or loss	6.54	3	3
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method	6.54	3	3
ii. The profit or loss from the change at fair value of available-for-sale financial assets			
Net after-tax net of other comprehensive income attributable to minority shareholders			
Total comprehensive income		1,677	7,961
The other comprehensive income attributed to the owners of the company		1,704	7,961
The other comprehensive income attributed to the minority		(27)	
Earning per share:			
Basic earning per share (RMB/share)	19.2	0.190	0.846
Diluted earning per share (RMB/share)	19.2	0.187	0.840

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

*Person-in-charge of
accounting department:*
Gong Jin

Consolidated Statement of Cash Flows

For the twelve months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		96,309	86,911
Refund of taxes and fares		162	35
Other cash received from operating activities	6.55	327	72
Sub-total of cash inflows		96,798	87,018
Cash paid for goods and services		75,894	65,105
Cash paid to and for the employees		4,448	4,811
Cash paid for all types of taxes		3,068	4,914
Other cash paid for operating activities	6.55	3,368	3,894
Sub-total of cash outflows		86,778	78,724
Net cash flow from operating activities		10,020	8,294
Cash flows from investing activities:			
Cash received from return of investments			379
Cash received from investment income		209	
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		3	12
Other cash received from investment activities	6.55	68	167
Sub-total of cash inflows		280	558
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		3,415	2,825
Cash paid for acquisition of investments		80	1,532
Other cash paid for investment activities	6.55	51	83
Sub-total of cash outflows		3,546	4,440
Net cash flow from investing activities		(3,266)	(3,882)
Cash flows from financing activities:			
Cash received from absorbing investments Including: Received of subsidiary from minority shareholders			3
Cash received from borrowings		17,415	21,181
Cash received from the issuance of bonds			
Other cash received from financing activities	6.55	33	380
Sub-total of cash inflows		17,448	21,564

Consolidated Statement of Cash Flows (Continued)

For the twelve months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
Cash paid for settling of debts		18,508	23,115
Cash paid for distribution of dividends or profit and repayment of interests		2,388	2,889
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities	6.55	789	503
Sub-total of cash outflows		21,685	26,507
Net cash inflow from financing activities		(4,237)	(4,943)
Effect of changes in foreign exchange rate on cash and cash equivalents			15
Net increase in cash and cash equivalents	6.56	2,517	(516)
Add: Cash and cash equivalents at beginning of this period	6.56	2,154	2,670
Cash and cash equivalents at the end of this period	6.56	4,671	2,154

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Person-in-charge of
accounting department:
Gong Jin

Consolidated Statement of Changes in Shareholders' equity

For the Twelve Months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	2019									
	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	Minority interests	Total of shareholders' equity
Balance as of 31 Dec. 2018	7,235	35,655		(241)	49	3,628		5,636	503	52,465
Add: Changes of accounting policy										
Business combination under the common control										
Others										
Balance as of 1 Jan. 2019	7,235	35,655		(241)	49	3,628		5,636	503	52,465
Increase/decrease in 2019										
("-" represents loss)	2,170	(2,170)		102	5	95		(85)	(34)	83
(1) Total amount comprehensive income				(83)				1,787	(27)	1,677
(2) Capital introduced or withdrawn by owners										
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others										
(3) Profit distribution						95		(1,687)	(8)	(1,600)
i. Transfer to surplus reserve						95		(95)		
ii. Distribution to shareholders								(1,592)	(8)	(1,600)
iii. Others										
(4) Transfer within shareholder's equity	2,170	(2,170)		185				(185)		
i. Transfer from capital reserve to share capital	2,170	(2,170)								
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings										185
v. Others										(185)
(5) Special reserve					5				1	6
i. Extracts of this period					120				2	122
ii. Usage of this period					(115)				(1)	(116)
Balance as of 31 Dec. 2019	9,405	33,485		(139)	54	3,723		5,551	469	52,548

Consolidated Statement of Changes in Shareholders' equity (Continued)

For the Twelve Months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	2018									
	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	Minority interests	Total of shareholders' equity
Balance as of 31 Dec. 2017	7,235	31,519		(3)	38	3,580		7,604	413	50,386
Add: Changes of accounting policy				(247)			115			(132)
Business combination under the common control		10,561			19		(8,262)	8		2,326
Others										
Balance as of 1 Jan. 2018	7,235	42,080		(250)	57	3,580		(543)	421	52,580
Increase/decrease in 2018										
("-" represents loss)		(6,425)		9	(8)	48		6,179	82	(115)
(1) Total amount comprehensive income				9				7,952		7,961
(2) Capital introduced or withdrawn by owners		(6,425)							81	(6,344)
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others		(6,425)							81	(6,344)
(3) Profit distribution						48		(1,773)		(1,725)
i. Transfer to surplus reserve						48		(48)		
ii. Distribution to shareholders								(1,678)		(1,678)
iii. Others								(47)		(47)
(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. Transfer from other comprehensive income to retained earnings										
v. Others										
(5) Special reserve					(8)				1	(7)
i. Extracts of this period					89				1	90
ii. Usage of this period					(97)					(97)
Balance as of 31 Dec. 2018	7,235	35,655		(241)	49	3,628		5,636	503	52,465

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Person-in-charge of accounting department:
Gong Jin

Balance Sheet

As at 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	31 December 2019	31 December 2018
Current assets:			
Cash and cash equivalents		3,237	1,125
Derivative financial assets			1
Notes receivable		2,200	6,249
Accounts receivable	16.1	2,760	3,239
Prepayments		3,239	1,136
Other receivables	16.2	203	46
Including: interests receivable	16.2		
Dividends receivable	16.2	12	
Inventories		7,308	9,813
Other current assets			178
Total current assets		18,947	21,787
Non-current assets:			
Long-term equity investments	16.3	11,483	11,275
Other investments in equity instruments		465	519
Other non-current financial assets		38	35
Fixed assets		43,784	43,283
Construction in progress		1,319	1,373
Right-of-use assets		159	
Intangible assets		5,725	5,866
Deferred income tax assets		887	589
Other non-current assets		1,022	1,094
Total non-current assets		64,882	64,034
Total assets		83,829	85,821
Current liabilities:			
Short-term loans		12,895	13,210
Derivative financial liabilities			3
Notes payable		2,894	1,370
Accounts payable		4,700	6,976
Contract liabilities		3,660	3,209
Employee benefits payable		138	169
Tax payable		(69)	502
Other payables		2,356	1,969
Including: interests payable		4	2
Dividends payable			
Non-current liabilities due within 1 year		900	2,545
Total current liabilities		27,474	29,953

Balance Sheet (Continued)

As at 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	31 December 2019	31 December 2018
Non-current liabilities:			
Long-term loans		3,200	2,000
Bonds payable		1,513	1,574
Lease liability		157	
Long-term employee benefits payable		95	94
Deferred income		446	494
Deferred income tax liabilities		93	74
Other non-current liabilities		79	139
Total non-current liabilities		5,583	4,375
Total liabilities		33,057	34,328
Shareholders' equity:			
Share capital		9,405	7,235
Capital reserve		26,527	28,697
Other comprehensive income		(139)	(241)
Special reserve		22	19
Surplus reserve		3,713	3,618
Undistributed profit		11,244	12,165
Subtotal of Shareholders' equity attributable to shareholders of parent company		50,772	51,493
Minority interests			
Total shareholders' equity		50,772	51,493
Total liabilities and shareholders' equity		83,829	85,821

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Person-in-charge of
accounting department:
Gong Jin

Income Statement

For the twelve months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
Operating income		98,643	95,658
Including: operating income	16.4	98,643	95,658
Operating costs		98,101	87,951
Less: operating costs	16.4	92,012	81,278
Tax and surcharges		824	1,043
Marketing expenses		2,580	2,653
Administrative expenses		1,166	1,087
Research and development expenses		435	480
Financial expenses		1,084	1,410
Including: interests expenses		1,061	1,346
Interests revenue		28	26
Add: Other income		67	75
Investment income (“-” for losses)	16.5	488	351
Including: income from investment in jointly ventures and associates	16.5	181	284
Gains/losses from fair value variation (“-” for losses)		65	60
Impairment losses on assets (“-” for losses)		139	76
Credit impairment loss (“-” for losses)		(340)	(2)
Asset disposal income (“-” for losses)		7	(5)
Operating profit (“-” for losses)		968	8,262
Add: Non-operating income		8	50
Less: Non-operating expenses		49	132
Profit before income tax (“-” for losses)		927	8,180
Less: Income tax expenses		(24)	1,914
Net profit for the period (“-” for losses)		951	6,266
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		951	6,266
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		951	6,266
ii. Minority interest income			

Income Statement (Continued)

For the twelve months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
The net amount after tax of other comprehensive income		(83)	9
Net after-tax net of other comprehensive income attributable to the parent company owner		(83)	9
I. The other comprehensive income which can not be reclassified into profit or loss		(86)	6
i. Changes in fair value of other investments in equity instruments investment		(86)	6
II. The other comprehensive income which can be classified into profit or loss		3	3
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method		3	3
ii. The profit or loss from the change at fair value of available-for-sale financial assets			
Net after-tax net of other comprehensive income attributable to minority shareholders			
Total comprehensive income		868	6,275
The other comprehensive income attributed to the owners of the company		868	6,275
The other comprehensive income attributed to the minority			

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

*Person-in-charge of
accounting department:*
Gong Jin

Statement of Cash Flows

For the twelve months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		92,622	81,282
Refund of taxes and fares		149	21
Other cash received from operating activities		325	69
Sub-total of cash inflows		93,096	81,372
<hr style="border-top: 1px dashed #000;"/>			
Cash paid for goods and services		75,767	61,351
Cash paid to and for the employees		3,849	4,358
Cash paid for all types of taxes		2,395	4,272
Other cash paid for operating activities		3,448	4,017
Sub-total of cash outflows		85,459	73,998
<hr style="border-top: 1px dashed #000;"/>			
Net cash flow from operating activities		7,637	7,374
<hr style="border-top: 1px dashed #000;"/>			
Cash flows from investing activities:			
Cash received from return of investments			17
Cash received from investment income		518	424
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		704	2
Net cash received from disposal of subsidiaries and other business units			
Other cash received from investment activities		55	122
Sub-total of cash inflows		1,277	565
<hr style="border-top: 1px dashed #000;"/>			
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		3,208	2,616
Cash paid for acquisition of investments		198	2,038
Other cash paid for investment activities		51	82
Sub-total of cash outflows		3,457	4,736
<hr style="border-top: 1px dashed #000;"/>			
Net cash flow from investing activities		(2,180)	(4,171)
<hr style="border-top: 1px dashed #000;"/>			
Cash flows from financing activities:			
Cash received from borrowings		17,995	20,775
Cash received from the issuance of bonds			
Other cash received from financing activities		519	232
Sub-total of cash inflows		18,514	21,007
<hr style="border-top: 1px dashed #000;"/>			

Statement of Cash Flows (Continued)

For the twelve months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
Cash paid for settling of debts		18,215	22,160
Cash paid for distribution of dividends or profit and repayment of interests		2,389	2,725
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities		1,255	
Sub-total of cash outflows		21,859	24,885
Net cash inflow from financing activities		(3,345)	(3,878)
Effect of changes in foreign exchange rate on cash and cash equivalents			15
Net increase in cash and cash equivalents		2,112	(660)
Add: Cash and cash equivalents at beginning of this period		1,125	1,785
Cash and cash equivalents at the end of this period		3,237	1,125

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Person-in-charge of
accounting department:
Gong Jin

Statement of Changes in Shareholders' equity

For the twelve months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	2019									
	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	Minority interests	Total of shareholders' equity
Balance as of 31 Dec. 2018	7,235	28,697		(241)	19	3,618		12,165		51,493
Add: Changes of accounting policy										
Business combination under the common control										
Others										
Balance as of 1 Jan. 2019	7,235	28,697		(241)	19	3,618		12,165		51,493
Increase/decrease in 2019										
("-" represents loss)	2,170	(2,170)		102	3	95		(921)		(721)
(1) Total amount comprehensive income				(83)				951		868
(2) Capital introduced or withdrawn by owners										
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others										
(3) Profit distribution						95		(1,687)		(1,592)
i. Transfer to surplus reserve						95		(95)		
ii. Distribution to shareholders								(1,592)		(1,592)
iii. Others										
(4) Transfer within shareholder's equity	2,170	(2,170)		185				(185)		
i. Transfer from capital reserve to share capital	2,170	(2,170)								
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings				185				(185)		
v. Others										
(5) Special reserve					3					3
i. Extracts of this period					79					79
ii. Usage of this period					(76)					(76)
Balance as of 31 Dec. 2019	9,405	26,527		(139)	22	3,713		11,244		50,772

Statement of Changes in Shareholders' equity (Continued)

For the twelve months Ended 31 December 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	2018									
	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	Minority interests	Total of shareholders' equity
Balance as of 31 Dec. 2017	7,235	31,565		(3)	38	3,570		7,510		49,915
Add: Changes of accounting policy				(247)				115		(132)
Business combination under the common control										
Others										
Balance as of 1 Jan. 2018	7,235	31,565		(250)	38	3,570		7,625		49,783
Increase/decrease in 2018										
("-" represents loss)		(2,868)		9	(19)	48		4,540		1,710
(1) Total amount comprehensive income				9				6,266		6,275
(2) Capital introduced or withdrawn by owners		(2,868)								(2,868)
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others		(2,868)								(2,868)
(3) Profit distribution						48		(1,726)		(1,678)
i. Transfer to surplus reserve						48		(48)		
ii. Distribution to shareholders								(1,678)		(1,678)
iii. 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. Transfer from other comprehensive income to retained earnings										
v. Others										
(5) Special reserve					(19)					(19)
i. Extracts of this period					70					70
ii. Usage of this period					(89)					(89)
Balance as of 31 Dec. 2018	7,235	28,697		(241)	19	3,618		12,165		51,493

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Person-in-charge of accounting department:
Gong Jin

Notes to the Financial Statements

For the year 2019 (Expressed in million RMB unless otherwise indicated)

1. PROFILE OF THE COMPANY

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

The financial statements have been approved by the Board of Directors on 27 March, 2020.

For detail information about subsidiaries that have been included in the scope of consolidation by the end of the year, please refer to Note 8 Interests In Other Entities. A new third-level subsidiary was added to the scope of consolidation this year. For details, please refer to Note 7 Changes In Consolidation 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 Group has evaluated the continuous operations ability for the 12 months from December 31, 2019, and has not found any matters or circumstances that have significant doubts about the continuous operations ability. Therefore, the financial statements are prepared on the assumption of going concern principle. In addition, the Group has prepared this report based on the actual transactions and events and in accordance with the Basic Standard and 42 specific standards of the Accounting Standards for Business Enterprises(abbreviated as ASBE)(Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as the Accounting Standards for Business Enterprises or CAS) and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

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

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

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 31 December 2019, the financial performance and cash flow of the Group for the twelve months ended 31 December 2019. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of “Regulation on disclosure of information of public listed companies, No. 15: General Requirements for Financial Reports”, revised by the China Securities Regulatory Commission (CSRC) in 2014.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

As for the statements of significant accounting judgments and estimates made by the management, please refer to Note 4.26 “Significant accounting judgments and estimates”.

4.1 Accounting period

The Group’s fiscal year is the calendar year that starts from January 1 and December 31.

4.2 Operating cycle

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

4.3 Recording currency

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

4.4 Accounting treatment of business combinations

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

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.4 Accounting treatment of business combinations (Continued)

4.4.1 The business combinations under common control

A business combination under common control is a business combination in which all of the combined entities are ultimately controlled by the same party or the same parties both before and after the business combination and on (in) which the control is not temporary. In a business combination under common control, the party which obtains control power over the other combined entity on the combining date is the acquirer and the other combined entity is the acquiree. The acquisition date refers to the date on which the combining party actually obtains control power over the combined party.

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

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

4.4.2 The business combinations not under common control

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

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.4 Accounting treatment of business combinations (Continued)

4.4.2 The business combinations not under common control (Continued)

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

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

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.5 Methods for preparation of consolidated financial statements

4.5.1 Recognition principle of consolidated scope

The scope of consolidation of consolidated financial statements is ascertained on the basis of effective control. Control refers to the right to obtain the variable returns by the involvement with the investees, and has the ability to affect those returns through its power to direct the activities of the investees. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to the entities over which the Company has control power.

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

4.5.2 Preparation of consolidated financial statements

The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases, which the control is over the net assets and the operating decision-makings. For the disposed subsidiary, financial performance and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; the 31 December 2018 of the consolidated balance sheet shall not be adjusted due to the disposal. For the subsidiary acquired from business combination not under common control, its financial performance and cash flows after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statement, and the 31 December 2018 of the consolidated financial statements and comparable data of prior year shall not be adjusted due to this combination. For the subsidiary acquired from business combinations under common control, its financial performance and cash flow from the beginning of the reporting period to combination date have been properly included in the consolidated income statement and consolidated cash flow statement, and the comparable data of the consolidated financial statement shall be adjusted simultaneously.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.5 Methods for preparation of consolidated financial statements (Continued)

4.5.2 Preparation of consolidated financial statements (Continued)

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

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

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

4.6 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 4.11.2.2 Long-term equity investments accounted by equity method.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.6 The classification of the joint venture arrangement and accounting treatment of joint operation (Continued)

As a joint venture, the Company recognizes the assets held by the Company separately, the liabilities assumed separately, and the co-held assets and co-owned liabilities recognized by the Company's share; confirms its revenue from the sale of its share of the output arising from the joint operation; and recognizes the expenses incurred by the company separately and the expenses incurred arising from the joint operation according to the share of the company.

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

4.7 Recognition standard for cash and cash equivalents

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

4.8 Foreign currency transactions and the translation of foreign currency financial statement

4.8.1 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

4.9 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes one party under the financial instrument contract.

4.9.1 Financial assets

4.9.1.1 Classification, confirmation basis and measurement method of financial assets

The Group classifies financial assets based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets. Financial assets will be classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.1 Classification, confirmation basis and measurement method of financial assets (Continued)

The Group measures financial assets at amortised cost if both of the following conditions are met:①the financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows;②the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount; they are subsequently measured at amortized cost. Except for those designated as hedged items, the difference between the initial amount and the amount due is amortized in accordance with the effective interest method. Amortisation, impairment, exchange gains and losses, and gains or losses arising from derecognition are recognised in profit or loss.

The Group measures debt instruments at fair value other comprehensive income if both of the following conditions are met:①the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling;②the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount. Except for those designated as hedged items, such financial assets, other than credit impairment losses or gains, foreign exchange revaluation and interest on the financial assets calculated according to the effective interest method, are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.1 Classification, confirmation basis and measurement method of financial assets (Continued)

The Group designates non-tradable equity instrument investments as financial assets measured at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. The non-trading equity instrument investment designated by the Group at fair value through profit or loss is recognised initially at fair value. related transaction costs are included in the initial recognition amount. Except for the acquisition of dividends (other than the recovery of investment costs), the other related gains and losses (including exchange gains and losses) are included in other comprehensive income and are not subsequently transferred to the current profits and losses.

The financial assets, other than the financial assets measured at amortised or fair value through other comprehensive income, are measured at fair value through profit and loss. Those financial assets are initially measured at fair value, and related transaction costs are directly recognised in profit or loss. The gains or losses on the financial assets are included in the current profits and losses.

The contingent consideration recognized by the Group in the business combinations not under common control constitutes financial assets, which are classified as financial assets measured at fair value through profit or loss.

At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can arbitrarily designate financial assets that should be measured at amortized cost or measured at fair value through other comprehensive income as the financial assets that are measured at fair value through profit and loss.

When the Group changes its business model of managing financial assets, it reclassifies all affected financial assets.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.1 Classification, confirmation basis and measurement method of financial assets (Continued)

The interest income on a financial asset shall be recognized based on the effective interest rate method. The Interest income is calculated by multiplying the book value of a financial asset by the effective interest rate, except the following situations: ①for a purchased or derived financial asset with credit impairment, the Group shall, starting from the initial recognition, determine its interest income by multiplying the amortized cost of the financial asset by the adjusted effective interest rate due to credit impairment. ②for a purchased or derived financial asset which does not initially suffer credit impairment but has credit impairment in subsequent periods, the Group shall determine its interest income by using the amortized cost of the financial assets multiple the effective interest rate in subsequent periods.

4.9.1.2 Confirmation basis and measurement method of financial asset transfer

The Group shall derecognize a financial asset when, and only when one of the following conditions is met:①the contractual rights to the cash flow from the financial asset expire,②the Group transfers substantially all the risks and rewards of the ownership of the financial asset;③the Group neither transfers nor retains substantially all the risks and rewards of the ownership of the financial asset, and it has not retained the control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and the cumulative gain or loss, resulting from the changes of fair value of the financial asset, recorded in other comprehensive income (the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding)shall be recognized in profit and loss.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.2 Confirmation basis and measurement method of financial asset transfer (Continued)

If a part of a financial asset is transferred and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the entire financial asset shall be allocated between the part continued to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and the cumulative gain or loss for the part derecognized, resulting from the changes of fair value of the financial asset, recorded in other comprehensive income (the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding), shall be recognized in profit and loss on derecognition of the investments in equity instruments not held for trade designated as financial assets by the Group, all the accumulated gains or losses recognized in other comprehensive income account shall be transferred into retained earning account.

4.9.1.3 Impairment of financial instrument

On the basis of expected credit loss, the Group adopts the impairment accounting treatment for the following items and confirms impairment provision: ①Debt investment; ②Lease receivables; ③Contract assets; ④accounts receivable; ⑤Financial guarantee contract.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract by the Group at the original effective interest rate and all cash flows expected to be received, that is, the present value of all cash shortages.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.3 Impairment of financial instrument (Continued)

The Group always measured the following items at the amount of the expected credit losses for the entire duration of the period for their impairment provision.: ①Accounts receivable, construct assets impairment provision formed by transactions regulated by the “ASBE No. 14 – Revenue Standards”, regardless of whether the item contains a significant financing component. ②Finance lease receivables. ③Operating lease receivables

In addition to the above items, the Group measured the other items in the following situations for their impairment provision: ① For a financial instrument whose credit risk has not increased significantly since initial recognition, the Group measured the expected credit losses for the next 12 months for their impairment provision. ②For a financial instrument whose credit risk has increased significantly since initial recognition, the Group measured the expected credit losses for the entire duration of the period for their impairment provision. ③For a purchased or derived financial instrument with credit impairment, the Group measured the expected credit losses for the entire duration of the period for their impairment provision.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.3 Impairment of financial instrument (Continued)

The judgment of whether the credit risk has increased significantly since the initial recognition. By comparing default risk of financial instruments on the balance sheet date with that on initial recognition date, the Group determines the relative change for the estimated duration period, therefore, to evaluate whether the financial instrument credit risk has increased significantly since the initial recognition. However, if the Group determines that a financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial recognition. In general, if the overdue period exceeds 30 days, it indicates that the credit risk of financial instruments has increased significantly. Unless the Group obtains reasonable and evidence-based information without unnecessary additional costs or effort, it proves that even if the overdue period exceeds 30 days, the credit risk has not increased significantly since the initial confirmation. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers reasonable and evidence-based information, including forward-looking information, that can be obtained without unnecessary additional costs or effort. The information considered by the Group includes: ① The debtor's failure to pay the principal and interest on the contractual maturity date; ② Serious deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected; ③ Serious deterioration of the debtor's operating results that have occurred or are expected; ④ Changes in existing or anticipated technical, market, economic or legal circumstances that will have a material adverse effect on the debtor's ability to repay the Group.

The Group assesses whether credit risk has increased significantly on the basis of a single financial instrument or combination of financial instruments. When conducting an assessment based on a combination of financial instruments, the Group can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.4 Presentation of expected credit loss provisions

To reflect the change of credit risk since the initial recognition, the Group remeasures financial instruments for their expected credit loss at each balance sheet date. The increase or reverse of impairment provision from this method should be recognised in profit or loss as impairment losses or gains. For financial assets measured at amortized cost, their impairment provision should compensate their book value presented in the balance sheet.

4.9.1.5 Written off

For the contract cash flow of a financial asset that no longer reasonably be expected to recover, the full amount or partially, the Group directly writes down the book balance of the financial asset. This write-down constitutes the derecognition of related financial assets. This usually happens when the Group determines that the debtor has no assets or a source of income to generate sufficient cash flow to cover the amount that will be written down. However, in accordance with the Group's procedures for recovering due receivables, the write-down of financial assets may still be affected by implementation activities. If the impairment of financial assets is recovered at a later stage, it should be recognised as reverse and recorded into the profit or loss in the recovery period.

4.9.2 Financial Liabilities

4.9.2.1 Classification, confirmation basis and measurement method of financial liabilities

The financial liabilities of the Group measured initially are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial Liabilities (Continued)

4.9.2.1 Classification, confirmation basis and measurement method of financial liabilities (Continued)

Financial liabilities measured at fair value through gain and loss include trading financial liabilities and designated financial liabilities measured at fair value through gain and loss on initial recognition (The relevant classification is based on the disclosure of the financial assets classification basis). Subsequent measurement is based on fair value. Gains or losses arising from changes in fair value and dividends and interest expense related to the financial liabilities are recognised in profit or loss.

Other financial liability (disclosure of specific financial liabilities based on actual conditions). Other financial liabilities are subsequently measured at amortized cost with effective rate. Except for the following, the Group classifies financial liabilities as financial liabilities measured at amortised cost: ① Financial liability measured at their fair value through profit or loss, which include trading financial liabilities (containing derivatives that are financial liabilities) and designated financial liabilities measured at fair value through gain and loss. ② Financial assets that do not meet the conditions for derecognition transfer or continue to be involved in the financial liabilities of the transferred financial assets. ③ Financial guarantee contracts that do not fall into the above 1 or 2 cases, and loan commitments that are not subject to the above 1 situation and are loans at a lower than market rate.

If the Group, as an acquirer, recognises a contingent consideration to form a financial liability in a business combination not under the common control, it is measured at fair value through profit or loss.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial Liabilities (Continued)

4.9.2.2 Derecognition

The Group shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit and loss.

4.9.2.3 Method for determining the fair value of financial assets and financial liabilities

The Group measures the fair value of financial assets and financial liabilities at the prices of major markets. If there is no major market, the fair value of financial assets and financial liabilities is measured at the most favorable market price. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value. The input values used in fair value measurement are divided into three levels: the level 1 is quoted (unadjusted) market prices in active markets for identical assets or liabilities; the level 2 is valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; the level 3 is valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The Group prioritizes the use of the first level of input values and finally uses the third level of input values.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial Liabilities (Continued)

4.9.2.3 Method for determining the fair value of financial assets and financial liabilities (Continued)

The Group's investments in equity instruments are measured at fair value. However, in limited circumstances, if the short-term information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of the fair value within the scope, the cost may represent appropriate estimates of fair value within this distribution.

4.9.2.4 Offset of financial assets and financial liabilities

The Group's financial assets and financial liabilities are presented separately in the balance sheet and are not offset. But financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial Liabilities (Continued)

4.9.2.5 The distinction between financial liabilities and equity instruments and related treatment methods

The Group distinguishes financial liabilities and equity instruments according to the following principles:①If the Group cannot unconditionally avoid fulfilling a contractual obligation by paying cash or other financial assets, the contractual obligation is consistent with the definition of financial liability. Some financial instruments, although not explicitly containing the terms and conditions of delivery of cash or other financial assets obligations, may indirectly form contractual obligations through other terms and conditions.②If a financial instrument is required or can be settled by the Group's own equity instruments, it is necessary to consider the Group's own equity instruments used to settle the instrument, whether it is a substitute for cash or other financial assets, or for the holder of the instrument to enjoy the remaining interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is the issuer's financial liability; if it is the latter, the instrument is the issuer's equity instrument. In some cases, a financial instrument contract stipulates that the Group settles the financial instrument with its own equity instruments, where the amount of contractual rights or contractual obligations equals the amount of equity instruments available or to be delivered multiplied by the fair value at settlement. Whether the amount of the contractual rights or obligations is fixed, or totally or partly based on changes in variables other than the market price of the Group's own equity instruments(eg interest rate, price of a commodity, or price of a financial instrument). The contract is classified as a financial liability.

When the Group classifies financial instruments (or their components) in the consolidated statements, it considers all the terms and conditions between the group members and the holders of financial instruments. If the group as a whole assumes the obligation to settle cash, other financial assets, or other means of causing the instrument to become a financial liability due to the financial instruments, the instrument should be classified financial liability.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial Liabilities (Continued)

4.9.2.5 The distinction between financial liabilities and equity instruments and related treatment methods (Continued)

If the financial instrument or their components are classified as financial liabilities. Relevant interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing are recognised in profit or loss.

If the financial instrument or its components are equity instruments, it is treated as a change in equity and not recognized changes in the fair value of equity instruments when it is issued (including refinancing), repurchased, sold or cancelled.

4.10 Inventories

4.10.1 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.

4.10.2 Pricing of inventories

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

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

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.10 Inventories (Continued)

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

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

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

4.10.4 Physical inventory at fixed periods is taken under perpetual inventory system.

4.10.5 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.

4.11 Long-term equity investment

The long-term equity investment refers to the investment in which the company has control, joint control or significant influence over the invested entities. On the other hand, the long-term equity investments which not result in the control, jointly control or significantly influence on the invested entities, are treated as other investments in equity instruments or financial assets held for trade and their accounting policies refer to Notes 4.9 "Financial Instruments".

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.11 Long-term equity investment (Continued)

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

4.11.1 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.11 Long-term equity investment (Continued)

4.11.1 Determination of investment cost (Continued)

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

4.11.2 Subsequent measurement and recognition method of gains and losses

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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.11 Long-term equity investment (Continued)

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

4.11.2.1 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.

4.11.2.2 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 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.11 Long-term equity investment (Continued)

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

4.11.2.2 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.11 Long-term equity investment (Continued)

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

4.11.2.2 Long-term equity investments accounted by equity method (Continued)

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

4.11.2.3 Acquisition of minority interests

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

4.11.2.4 Disposal of long-term equity investments

In consolidated financial statements, when the parent company disposes part of the investment in subsidiary without losing control power, the difference between the consideration received and the carrying value of net asset disposed shall be recognized in equity, while losing control power of subsidiary due to disposal, the relevant terms in Note.4.5.2 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.11 Long-term equity investment (Continued)

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

4.11.2.4 Disposal of long-term equity investments (Continued)

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

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

4.12 Fixed Assets

4.12.1 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 are 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 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.12 Fixed Assets (Continued)

4.12.2 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.

4.12.3 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 4.16 "Impairment of non-current assets".

4.12.4 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.12 Fixed Assets (Continued)

4.12.4 Other explanations (Continued)

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

4.13 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 4.16 "Impairment of non-current assets".

4.14 Borrowing costs

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

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

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.14 Borrowing costs (Continued)

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

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

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

4.15 Intangible assets

4.15.1 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 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.15 Intangible assets (Continued)

4.15.1 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.

4.15.2 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.

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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.15 Intangible assets (Continued)

4.15.2 Research and development expenditure (Continued)

- (iv) It is technically and financially capable of completing the development of the intangible asset, and capable of using or selling such intangible asset.
- (v) Development expenditure attributed to the intangible asset could be reliably measured.

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

4.15.3 Method of impairment test and measurement of impairment provision

Impairment test and measurement of intangible assets refer to Note 4.16 "Impairment of non-current assets".

4.16 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.16 Impairment of non-current assets (Continued)

If the recoverable amount of an asset is lower than its carrying value, the difference shall be recognized as impairment loss and a provision shall be made accordingly. The recoverable amount is the higher of fair value of an asset deducted disposal expense and the present value of expected future cash flow from the asset. The fair value of an asset is determined according to the price stipulated in a selling agreement, and if there is no selling agreement but a dynamic market exists, the fair value shall be determined according to a bid from a buyer. If there is neither a selling contract nor a dynamic market, the fair value of an asset shall be estimated based on maximum information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, transport expenses as well as the direct expenses to get the asset ready for sale. The present value of expected future cash flow of an asset shall be established by discounting cash flow generated by continuous use and final disposal of the asset with an appropriate discount rate. Provision for impairment shall be determined on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the asset shall be integrated into an asset group and impairment shall be carried out by the asset group. Asset group refers to minimum group of asset which can generate cash flow independently.

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

4.17 Projected liabilities

Obligations arising from contingent events shall be recognized as projected liability provided that: ①the Group has a practical obligation as a result of the past event; ②probable economic benefit will flow out to settle the obligation and; ③the 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.18 Revenue

The Group shall recognize the revenue when and, only when, the Group fulfills its performance obligations in a contract and the customer in the contract take the control of the right of the good or service.

Where there are two or more performance obligations included in a contract, the Group shall, on the commencement of the contract, apportion the transaction price to each individual performance obligation in accordance with the relative proportion of each individual selling price of the good or service promised by each individual performance obligation and recognize the income according to the transaction price apportioned to each individual performance obligation.

The transaction price is the amount of consideration that the Group expects to be entitled to collect for the transfer of a good or service to its customers, excluding payments collected on behalf of third parties. The transaction price recognized by the Group does not exceed the accumulated revenue amount that has been recognized when the relevant uncertainties disappear and the amount is highly unlikely to be returned. The amount expected to return to the customer as a liability will not be included in the transaction price. Where there is a significant financing element in a contract, the Group shall recognize the transaction price based on the cash amounts the Group should receive at the time when the Group acquires the control of a good or service. The difference between the transaction price recognized and the contract consideration shall be amortized by the effective interest rate method during the contract period. On the contract commencement date, the interval under the contract between the anticipated date customers acquire the control over the good or service and the date customers make payments for the good or service does not exceed one year, the Group shall not consider the significant financing element in the contract to determine the transaction price.

If one of the following conditions is satisfied, it is believed that the Group performs its obligations within a certain period of time; otherwise it is believed that the Group performs its obligations at a certain point of time:

- ① Customers are acquiring and are consuming the economic benefits arising from the Group's contract obligation performances while the Group is performing its contract obligations;

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.18 Revenue (Continued)

- ② Customers are able to control the good under construction by the Group
- ③ The effects of the good or service produced by the Group in the course of obligation performance are irreplaceable and the Group has the right to collect payments for the part of the performance that has been completed so far throughout the contract period.

For the contract obligations performed within a certain period of time, the Group shall recognize the revenue in accordance with the progress of the obligation performance. Where the progress of obligation performance cannot be reasonably determined and the cost incurred by the group can be expected to be compensated, the revenue can be recognized according to the amount of cost incurred until the progress of obligation performance can be reasonably determined.

For the obligations performed at a certain point of the time, the Group shall recognize revenue at the point when customers gain control of the right of a good or service. In determining whether a customer has acquired the control of the right of a good or service, the Group will consider the following indications:

- ① the Group has the right to receive cash as the consideration of the good or service immediately;
- ② the Group has transferred the legal title of the goods to the customer;
- ③ the Group has transferred the real good to customers;
- ④ the Group has transferred the substantial risks and rewards of the ownership of the good or the ownership of the good to its customers;
- ⑤ customers have accepted the good or service.

A contract asset is recognized when the group has transferred a good or service to its customers and has the right to receive consideration. The impairment loss of a contract asset is recognized on the basis of expected credit losses. An account receivable is recognized when the group has, unconditionally, the right to collect consideration from customers. A contractual liability is recognized when the Group has the obligation to transfer a good or service to its customers in consideration of its account receivables.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.19 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:①Receivable amount shall be confirmed by the documents issued by relevant government departments, or be reasonably calculated according to relevant document without significant uncertainty;②The 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. ③It 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 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.19 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.

Government grants related to the daily activities of the Group are included in other income in accordance with the nature of the economic business; government grants not related to daily activities are included in the non-operating income and expenditure.

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

4.20 Deferred income tax asset and liability

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

4.20.2 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.20 Deferred income tax asset and liability (Continued)

4.20.2 Deferred income tax asset and liability (Continued)

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

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

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

On the balance sheet date, the deferred tax asset and liability shall be calculated by the tax rate applicable to the period during which the asset is expected to be recovered or the obligation is expected to be settled.

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

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.20 Deferred income tax asset and liability (Continued)

4.20.3 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 an adjustment to goodwill. Income taxes and deferred taxes except mentioned before shall be recorded into current profit or loss.

4.21 Leases

On the contract start date, the Group assesses whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is leased or included a lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customer in the contract is entitled to almost all of the economic benefits arising from the use of the identified assets and has the right to leads the use of identified assets during the period of use.

If the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met:①the lessee may profit from using the asset alone or in conjunction with other resources that are readily available;②there is no high dependence or high correlation between the asset and other assets in the contract.

If the contract includes both the lease and non-lease parts, the lease and non-lease parts are separated and accounted for when the Group acts as the lessor and lessee.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.21 Leases (Continued)

4.21.1 Lease to a lessee

The types of the Group's right-of-use assets mainly include: leased houses and buildings, machineries and equipment, other equipment, land use right.

4.21.1.1 Initial measurement

On the lease start date, the Group recognizes its right to use the leased asset over the lease term as the right-of-use asset, and recognizes the present value of the lease payments that have not been paid as lease liability, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate.

4.21.1.2 Subsequent measurement

In the subsequent measurement, if it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group depreciates the remaining useful life of the leased asset. If it is not reasonable to determine that the leasehold asset can be acquired at the expiration of the lease term, the Group depreciates during the shorter period between the lease term and the remaining useful life of the leased asset.

The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period.

The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.21 Leases (Continued)

4.21.1 Lease to a lessee (Continued)

4.21.1.2 Subsequent measurement (Continued)

After the commencement date of the lease period, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, the index or ratio used to determine the lease payment amount changes, the evaluated result of the purchase option, the renewal option or the termination option or the actual exercise situation changes, the Group re-measures the lease liability according to the present value of the changed lease payment, and adjusts the book value of the right-of-use asset accordingly. The carrying amount of the right-of-use asset has been reduced to zero. However, if the lease liability still needs to be further reduced, the Group will include the remaining amount in the current profit and loss.

4.21.1.3 Lease change

The lease change is the lease scope, lease consideration, and lease term change outside the original contract terms, including the increase or termination of the use rights of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If the lease changes and meets the following conditions, the Group will account for the lease change as a separate lease:①the lease change expands the scope of the lease by increasing the right to use one or more leased assets;②the increased consideration and the individual price of the enlarged part of the lease are equivalent to the amount adjusted by the contract.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.21 Leases (Continued)

4.21.1 Lease to a lessee (Continued)

4.21.1.3 Lease change (Continued)

If the lease change is not accounted for as a separate lease, the Group re-determines the lease term on the effective date of the lease change and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the lease interest rate of the remaining lease period as the discount rate; If it is not possible to determine the lease interest rate for the remaining lease period, the Group's incremental borrowing rate at the effective date of the lease change is used as the discount rate.

In view of the above effects of the adjustment of the lease liability, the Group distinguishes between the following cases for accounting treatment:①if the lease change results in a narrower lease or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the termination or complete termination of the lease. The Group recognises the related gains on the termination or the complete termination of the leases into the current profits and losses;②for other lease changes, the Group adjusts the book value of the right-of-use assets accordingly.

4.21.1.4 Short-term leases and low-value asset leases

The Group does not recognize the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During the period of the lease term, the related asset cost or current profit and loss is included in the straight-line method.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.21 Leases (Continued)

4.21.2 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.

4.21.3 Finance lease as a lessor

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

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

4.21.4 Sale-Leaseback Transactions

As a lessee, if the transfer of assets in the sale and leaseback transaction belongs to sales, The Group, as a lessee, measures the right-of-use assets formed by the sale and leaseback based on the portion of the book value of the original assets related to the use rights obtained from the leaseback, and only recognize the relevant gains or losses on the right transferred to the lessor; if the transfer of assets in the sale and leaseback transaction is not part of the sale, the Group continues to recognize the transferred assets as the lessee and also recognizes a financial liability equal to the transfer income.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.21 Leases (Continued)

4.21.4 Sale-Leaseback Transactions (Continued)

When the lessor is a seller, if the asset transfer in the sale and leaseback transaction belongs to the sales, The Group accounts it for the purchase of the asset as the lessor, and performs accounting treatment on the asset lease according to the foregoing provisions; if the asset transfer in the sale and leaseback transaction does not belong to the case of sales, the Group as the lessor does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income.

4.22 Contract liabilities

Contract liabilities reflect the obligation of the Group to transfer goods to customers due to the consideration received or receivable by the Group. Before the Group transfers the goods to the customer, the customer has already paid the contract consideration or the Group has obtained the unconditional right to receive the contract consideration. The Group confirms the contract liability according to the amount received or receivable, at the earlier of the actual payment and the due payment due by the customer.

4.23 Employee benefits

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

Short-term employee benefits, including wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing fund, labor union funds, employee education fund and non-monetary benefits. The short-term employee benefits are recognized as liabilities when actually incurred of rend 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.23 Employee benefits (Continued)

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 an 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.

4.24 Changes of significant accounting policies and estimates

4.24.1 Changes in accounting policies

4.24.1.1 Main content and reasons for the change

The following amendments and interpretations on Accounting Standards for Business Enterprises are introduced and issued by Ministry of Finance in Year 2018 and 2019.

Amendments to ASBE No.21Lease(“New lease standards”)

Notices on the revision of the format of Financial Statements for General Business Enterprises for Fiscal Year 2019 (<2019> No.6 Issued by Ministry of Finance)

The above-mentioned amendments and interpretations of the Accounting Standards for Business Enterprises have been applied by the Group and adjusted the relevant contents of the accounting policies, effectively 1 January 2019.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.24 Changes of significant accounting policies and estimates (Continued)

4.24.1 Changes in accounting policies (Continued)

4.24.1.2 The main impact of the change

A: New lease standards

According to the original lease standard, the rental expenses of the operating leased assets are recognized as related assets or expenses during the lease term. After the revision, the lessee should identify whether it constitutes a lease at the first and account for the lease contract that meets the lease definition in accordance with the requirements of the new lease standard. At initial recognition, the operating lease assets recognise the lease liability based on the present value of the lease payments that have not been paid on the lease start date, and the right-of-use assets and other costs (such as initial expenses, recovery obligations, etc.) are recognized. In the subsequent measurement, the right-of-use asset is depreciated and the depreciation expense is recognized, and the interest expense of the lease liability is recognized by the effective interest method. For the short-term leases and low-value asset leases, you choose to not recognize the right-of-use assets and lease liabilities. At the same time, the specific requirements for disclosure of financial reports were raised for related matters. There is no substantial changes in the aspects of leasing and leasing of financial leasing methods.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.24 Changes of significant accounting policies and estimates (Continued)

4.24.1 Changes in accounting policies (Continued)

4.24.1.2 The main impact of the change (Continued)

B: Presentation and disclosure

The Group has prepared the annual financial report for year 2019 in accordance with the financial statement format stipulated in [2019] No.6 Notice issued by Ministry of Finance and retrospectively adjusted the presentation of the relevant financial statements.

The presentation and disclosures are the followings:

Accounts which are affected on the closing balance of last year and opening balance of this year of consolidated and company's balance sheet:

Items	Consolidated Balance Sheet		
	2018-12-31 before retroactively adjusting the new report format	Impact of new report format changes	2018-12-31 after retroactively adjusting the new report
Assets:			
Notes receivable		7,184	7,184
Accounts receivable		2,460	2,460
Notes receivable and accounts receivable	9,644	(9,644)	
Liability:			
Notes payable		1,400	1,400
Accounts payable		7,663	7,663
Notes payable and accounts payable	9,063	(9,063)	

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.24 Changes of significant accounting policies and estimates (Continued)

4.24.1 Changes in accounting policies (Continued)

Items	Balance Sheet		
	2018-12-31 before retroactively adjusting the new report format	Impact of new report format changes	2018-12-31 after retroactively adjusting the new report
Assets:			
Notes receivable		6,249	6,249
Accounts receivable		3,239	3,239
Notes receivable and accounts receivable	9,488	(9,488)	
Liability:			
Notes payable		1,370	1,370
Accounts payable		6,976	6,976
Notes payable and accounts payable	8,346	(8,346)	

Note: The Group and the Company did not carry out the business of long-term leases the day when New Lease Standards was first implemented, therefore it would not affect the balance sheet at January 1, 2019.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.24 Changes of significant accounting policies and estimates (Continued)

4.24.1 Changes in accounting policies (Continued)

Accounts which are affected on the closing balance of this year of consolidated and company's balance sheet:

Items	Consolidated Balance Sheet		
	Current balance	Assumed balance in accordance with the original standards	Impact of new standards changes ("+" for increase "-" for decrease)
Assets:			
Right-of-use assets	162		162
Construction in progress	1,549	1,552	(3)
Liability:			
Lease liability	160		160
Long-term accounts payable		2	(2)

(Continued)

Items	Balance Sheet		
	Current balance	Assumed balance in accordance with the original standards	Impact of new standards changes ("+" for increase "-" for decrease)
Assets:			
Right-of-use assets	159		159
Construction in progress			
Liability:			
Lease liability	157		157
Long-term accounts payable			

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.24 Changes of significant accounting policies and estimates (Continued)

4.24.1 Changes in accounting policies (Continued)

Accounts which are affected on the current balance of this year of consolidated and company's income statement:

Items	Consolidated Income Statement		
	Current balance	Assumed balance in accordance with the original standards	Impact of new standards changes (“+” for increase “-” for decrease)
Financial expenses	1,093	1,088	5
Administrative expenses	1,331	1,337	(6)
Income tax expenses	212	212	

(Continued)

Items	Income Statement		
	Current balance	Assumed balance in accordance with the original standards	Impact of new standards changes (“+” for increase “-” for decrease)
Financial expenses	1,084	1,079	5
Administrative expenses	1,167	1,173	(6)
Income tax expenses	(24)	(24)	

4.24.2 There is no changes in estimates for this period.

4.25 Corrections of prior period errors

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

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.26 Significant accounting judgments and estimates.

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

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

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

4.26.1 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.26 Significant accounting judgments and estimates. (Continued)

4.26.2 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.

4.26.3 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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.26 Significant accounting judgments and estimates. (Continued)

4.26.4 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.

4.26.5 Income tax

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the carrying amount, such differences will impact the current and deferred tax.

4.26.6 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.

4.26.7 Impairment of financial instruments

Expected credit loss model is adopted for assessing impairment of financial instruments. The application of expected credit loss model requires significant judgements and estimates, all reasonable and evidence-based information, including forward-looking information is taken into account. When making such judgments and estimates, the Group infers the expected changes in debtors' credit risk based on historical repayment data, combining with economic policies, macroeconomic indicators, industry risks, major changes in debtors, early warning customer lists, collateral and other considerable factors.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

5. TAXATION

Main taxes and tax rates

Type of tax	Specific tax rate
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
City construction and Education surtax	Paid circulating tax: 7%, 3%, 2%
Enterprise income tax	Taxable income: 15% · 20% or 25%
Custom duty	FOB: 5%-15%
Environmental protection tax	Atmospheric pollutants: according to the pollution equivalent amount of the pollutant discharge amount*1.2; Water pollutants: the pollution equivalent amount of the pollutant discharge amount *1.4; Solid waste: according to the discharge of solid waste *25; Noise: Over-standard noise synthesis coefficient *350, 700, 2800 or 1400.

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, the current year refers to the year 2019, last year refers to the year 2018.

6.1 Cash and cash equivalents

Items	31 December 2019	31 December 2018
Cash		
Bank deposits	4,504	2,015
Other cash balance	167	139
Total	4,671	2,154

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.2 Derivative financial assets

Items	31 December 2019	31 December 2018
Future contracts		1
Total		1

6.3 Notes receivable

6.3.1 Classification of notes receivable

Items	31 December 2019			31 December 2018		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank Acceptance Notes	2,635		2,635	6,837		6,837
Commercial Acceptance Notes				347		347
Total	2,635		2,635	7,184		7,184

6.3.2 Notes receivable of the Company pledged as of 31 December 2019

Items	Pledged Notes by End of 31 December 2019
Bank Acceptance Notes	198
Total	198

Note: The group has pledged notes receivable which values RMB198 million to the bank to gain the notes payable of RMB198 million, of which the pledge period is from December 2019 to May 2020.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.3 Notes receivable (Continued)

6.3.3 Notes receivable that have been endorsed or discounted and have not expired at the end of 31 December 2019

Items	Amount of Termination Confirmation	Amount of Non-termination Confirmation
Bank Acceptance Notes	9,853	
Total	9,853	

6.3.4 Notes receivable transferred to accounts receivable due to insolvency of the issuer as of 31 December 2019.

Items	Amount transferred to accounts receivable at the end of the year
Bank Acceptance Notes	957
Commercial Acceptance Notes	
合計	957

6.3.5 The aging of the notes receivable at the end of the year

The above aging of the Group's notes receivable at the end of the year is within 1 year.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.4 Accounts receivable

6.4.1 Classification of Accounts Receivable

Items	31 December 2019				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,039	34.74	419	40.33	620
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	1,952	65.26	3	0.15	1,949
Risk group combination on the basis of aging-matrix	700	23.40			700
	1,252	41.86	3	0.24	1,249
Total	2,991	100.00	422	14.11	2,569

Items	31 December 2019				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	83	3.26	82	98.80	1
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	2,460	96.74	1	0.04	2,459
Risk group combination on the basis of aging-matrix	828	32.56			828
	1,632	64.18	1	0.06	1,631
Total	2,543	100.00	83	3.26	2,460

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.4 Accounts receivable (Continued)

6.4.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	31 December 2019			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
A financial Co., Ltd	605	306	50.58	Notes overdue
B financial Co., Ltd	269	19	7.06	Notes overdue
C financial Co., Ltd	83	13	15.66	Notes overdue
Anshan Zhongyou Tianbao Steel Tube Co., Ltd.	67	66	98.51	Business is in trouble. It does not have repayment ability
Dongbei Special Steel Group Dalian material trading Co., Ltd	15	15	100	The company has gone into liquidation
Total	1,039	419	-	-

6.4.3 Accounts Receivable for which bad debts prepared based on aging-matrix risk group combination

Aging	31 December 2019			31 December 2018		
	Book Value	Bad Debt Provision	Percentage (%)	Book Value	Bad Debt Provision	Percentage (%)
Within 1 year	1,243			1,625		
1 to 2 years	2		28.8	5		3.2
2 to 3 years	5	2	44.9	1		9.9
3 to 4 years	1		67.3			28.9
4 to 5 years			67.3			37.7
Over 5 years	1	1	100.0	1	1	100.00
Total	1,252	3	-	1,632	1	-

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.4 Accounts receivable (Continued)

6.4.4 Accounts Receivable classified by aging

Aging	31 December 2019	31 December 2018
Within 1 year	2,844	2,402
1 to 2 years	15	17
2 to 3 years	14	17
3 to 4 years	17	32
4 to 5 years	32	74
Over 5 years	69	1
Total	2,991	2,543

Note: In the above analysis, the aging of accounts receivable (RMB957 million in total) transferred from overdue notes receivable is calculated from the transfer date. The aging is within 1 year. Meanwhile, rest of accounts receivable is based on the invoice date.

6.4.5 Bad debt provision

Type	31 December 2018	Increase/Decrease			31 December 2019
		Bad debt provision	Reverse	Resale or verification	
Accounts					
Receivable	83	344		5	422

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.4 Accounts receivable (Continued)

6.4.6 Accounts receivable written off this period

Items	Amount
Anshan Iron and Steel Processing and Distribution (Weifang) Co., Ltd. ("Angang Weifang")	4
Other	1
Total	5

The written off information of the important accounts receivable:

Name	Nature of accounts receivable	Written off	Reason	Write-off procedure	Whether the money was generated by a related-party transaction
Angang Weifang	Payment for goods sold	4	The subsidiary has been cancelled	Board resolution	Yes
Total	-	4	-	-	-

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.4 Accounts receivable (Continued)

6.4.7 The condition of accounts receivable of the top five debtors by the balances as of 31 December 2019

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB1,867 million as of 31 December 2019, which accounted for 62.42% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB325 million at 31 December 2019.

6.4.8 Accounts receivable derecognized resulting from transfer of financial assets

On December 20, 2019, the Group and the bank reached an open-type non-recourse factoring agreement. A certain percentage of the RMB888 million accounts receivable was agreed as factoring financing principal, the factoring bank paid the Group the principal amount of RMB796 million for transfer price. The Group will pay factoring expenses when the bank recovers corresponding batch of principal. The accounts receivable in excess of the principal amount will be returned to the Group when principal is entirely recovered. Consequently, the Group derecognised accounts receivable of RMB888 million, no factoring expenses have been paid for the time being. For details please refer to Notes 9.4.

6.5 Prepayments

6.5.1 Prepayments classified by aging

Items	31 December 2019		31 December 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,332	97.85	1,382	98.16
1 to 2 years	68	2.00	22	1.56
2 to 3 years	5	0.15	4	0.28
Over 3 years				
Total	3,405	100.00	1,408	100.00

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.5 Prepayments (Continued)

6.5.2 The condition of prepayment of the top five debtors by the balances at the end of the period

The prepayment balance of the top five debtors is RMB2,843 million in total, accounting for 83.49% of the prepayment balance on 31 December 2019.

6.6 Other receivables

Items	31 December 2019	31 December 2018
Dividends receivable		
Other receivables	100	50
Total	100	50

6.6.1 The condition of other receivables

6.6.1.1 Classification of other receivables

Items	31 December 2019				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	8.18	9	100.00	
Other receivables for which bad debt is prepared based on group combination	101	91.82	1	0.99	100
Including: Risk-free group combination	1	0.91			1
Risk group combination on the basis of aging- matrix	100	90.91	1	9.09	99
Total	110	100.00	10	9.09	100

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.6 Other receivables (Continued)

6.6.1 The condition of other receivables (Continued)

6.6.1.1 Classification of other receivables (Continued)

Items	31 December 2018				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	14.06	9	100.00	
Other receivables for which bad debt is prepared based on group combination including: Risk-free group combination	55	85.94	5	9.09	50
Risk group combination on the basis of aging-matrix	22	34.38	5	22.73	17
Total	64	100.00	14	21.88	50

6.6.1.2 Other receivables classified by nature

Type	31 December 2019	31 December 2018
Petty cash	5	14
Angang Guangzhou Automobile Steel Co., Ltd. loans		33
The service fee of land acquisition	9	9
The remaining factoring receivable	92	
Others	4	8
Total	110	64

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.6 Other receivables (Continued)

6.6.1 The condition of other receivables (Continued)

6.6.1.3 Other receivables classified by aging

Aging	31 December 2019	31 December 2018
Within 1 year	97	43
1 to 2 years		1
2 to 3 years	1	7
3 to 4 years	3	
4 to 5 years		
Over 5 years	9	13
Total	110	64

6.6.1.4 The accrual condition of bad debt provision

	The first stage	The second stage	The third stage	Total
	Expected credit losses within the next 12 months	Expected credit losses for the entire duration of the period (no credit impairment)	Expected credit losses for the entire duration of the period (credit impairment has occurred)	
Balance at 1 January 2019		5	9	14
Bad debt provision Reverse		4		4
Resale or verification Write off Other changes				
Balance at 31 December 2019		1	9	10

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.6 Other receivables (Continued)

6.6.1 The condition of other receivables (Continued)

6.6.1.5 Bad debt provision at the end of the period

Type	31 December 2018	Increase/Decrease		31 December 2019
		Bad debt provision	Resale or verification	
Other receivables	14		4	10

6.6.1.6 Other receivables subject to separate assessment for bad debts provision

Debtors	Book Value	31 December 2019		
		Bad Debt Provision	Percentage (%)	Reason
Land acquisition service station of Chaoyang City	9	9	100.00	Less likely to recover
Total	9	9	--	

6.6.1.7 The condition of other receivables of the top five debtors by the balances at the end of the period

The total amount of top five other receivables according to closing balance of debtors of the Group was RMB103 million at 31 December 2019, which accounted for 93.64% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB9 million.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.7 Inventory

6.7.1 Classification of Inventory

Items	31 December 2019		
	Book Value	Inventory falling Price	
		Reserves	Carrying Value
Raw materials	2,338	46	2,292
Work in progress	2,974	334	2,640
Finished goods	2,900	88	2,812
Goods shipped in transit			
Revolving materials	751	8	743
Spare parts	1,170	43	1,127
Materials in transit	154		154
Work in progress–outsourced	25		25
Total	10,312	519	9,793

Items	31 December 2018		
	Book Value	Inventory falling Price	
		Reserves	Carrying Value
Raw materials	3,150	63	3,087
Work in progress	3,689	381	3,308
Finished goods	4,599	161	4,438
Goods shipped in transit			
Revolving materials	810	8	802
Spare parts	1,295	49	1,246
Materials in transit	199		199
Work in progress–outsourced	45		45
Total	13,787	662	13,125

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.7 Inventory (Continued)

6.7.2 Changes in Inventory falling price reserves

Items	31 December 2018	Increment of the year	Decrement of the year	31 December 2019
		Inventory falling price reserves	Written Back	
Raw materials	63	38	55	46
Work in progress	381	155	202	334
Finished goods	161	31	104	88
Revolving materials	8			8
Spare parts	49		6	43
Total	662	224	367	519

Note: The net realizable value for finished goods and the relevant raw materials is lower than the cost, therefore, provision for inventory was accrued this year. Meanwhile, due to market price recovery or product cost decline, part of inventory's net realized value is higher than its book value, therefore, the provision is reversed within the amount of its original provision.

6.8 Other current assets

Items	31 December 2019	31 December 2018
The amount of input tax to be deducted and certified	103	165
Input tax retained	216	361
Total	319	526

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.9 Long-term equity investments

Details of long-term equity investments

The invested entity	31 December 2018	Increase/Decrease		Investment income under the equity method	Other comprehensive
		Increase	Decrease		
Jointly venture					
TKAS Auto Steel Company Limited ("ANSC-TKS")	600			74	
The iron and Steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. ("ANSC – Dachuan")	228				
Guangzhou automobile Steel	311			18	
Sub-total	1,139			92	
Associated venture					
Angang Group Finance Co., Ltd("Angang Finance")	1,376			85	3
Anshan Anshan Iron Oxide Powder Co., Ltd. ("iron oxide powder company")	2			1	
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	56	12			
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	99	10		1	
Guangzhou Bao Steel Processing Co. ("Guangzhou steel")	79	37		5	
Meizhou GAC Automobile Spring Co., Ltd. ("Meizhou Motor Company")	18	21		(3)	
Chaoyang Zhong'an Water Co., Ltd. ("Zhong'an Water")	34			1	
Sub-total	1,644	80		90	
Total	2,803	80		182	3

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.9 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	Others		
Jointly venture						
ANSC-TKS		114		26	586	
ANSC - Dachuan					228	
Guangzhou automobile Steel				1	330	
Sub-total		114		27	1,144	
Associated venture						
Angang Finance iron oxide powder company"		67			1,397	3
Nansha Logistical					68	
AISSG					110	
Guangzhou steel"		20			101	
Meizhou Motor Company"					36	
Zhong'an Water					35	
Sub-total		87			1,750	
Total		201		27	2,894	

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.10 Other investments in equity instruments

6.10.1 Details of other investments in equity instruments

The Invested Entity	Book Balance	
	31 December 2019	31 December 2018
Anshan Falan Packing Material Co. Ltd. (hereinafter referred to as "Anshan Falan")	24	24
Dalian Shipbuilding Industry Co., Ltd Shipyard Company (hereinafter referred to as "Dalian Shipyard")	14	18
Dalian Shipbuilding Industry Group Steel Co., Ltd (hereinafter referred to as "Dalian Steel")		63
Jindian(Hangzhou) Technology Co., Ltd. ("Jindian")	1	2
Changsha Baosteel steel processing & Distribution Co., Ltd. (hereinafter referred to as "Changsha steel")	12	13
Shanghai Ouye Chemical Po Electronic Commerce Co.,Ltd. (hereinafter referred to as "Shanghai Ouye")	2	2
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd (hereinafter referred to as "China Shipbuilding")	5	5
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. (hereinafter referred to as "Guoqi Lightweight")	3	3
WISDRI Engineering & Research Incorporation Limited Company ("WISDRI")	373	351
Heilongjiang Longmay Mining Group Co.,Ltd.(hereinafter referred to as "Longmay Group")	31	38
Tianjin Angang Tiantie Cold Rolled Sheet Co., Ltd.("Tianjin Tiantie")		
Total	465	519

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.10 Other investments in equity instruments (Continued)

6.10.2 Analysis of other investments in equity instruments

Items	31 December 2019
Stock investment including : Hongkong Mainland China	
Non-stock investment	465
Total	465

6.10.3 Non-tradable investments in equity instruments current period

Items	Recognized dividend income current year	Accumulated gain	Accumulated loss	other comprehensive income transfer to retained earnings.	Designation Reason (measured at fair value and the other changes of their value are recorded in other comprehensive income.)	Reason (other comprehensive income transfer to retained earnings)
Anshan Falan	1	3				
Dalian Shipyard			(137)			
Dalian Steel			(69)			
Jindian			(1)			
Changsha steel	2		(5)			
Shanghai Ouye						
China Shipbuilding			(5)			
Guoqi Lightweight WISDRI™	6	238				
Longmay Group			(213)			
Tianjin Tiantie				185		write-off investment
Total	9	241	(430)	185		

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.10 Other investments in equity instruments (Continued)

6.10.3 Non-tradable investments in equity instruments current period (Continued)

Note: The Group's investment in equity instruments that are not quoted in the open market is an investment that the Group plans to hold for a long period of time. Therefore, the Group designates it as a financial asset that is measured at fair value and whose changes are included in other comprehensive income.

6.11 Other non-current financial assets

	Book Value	
	31 December 2019	31 December 2018
The Invested Entity		
Zhuzhou Smelter Group Co., Ltd.(hereinafter referred to as "ZhuYe Group")	38	35
Total	38	35

Note: The Group's equity instruments that are active in the open market and are quoted are designated as financial assets measured at fair value through profit or loss. As the Group plans to hold the investment of ZhuYe Group for a strategic purpose, the investment is reclassified to other non-current financial assets at the end of the period.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.12 Fixed assets

6.12.1 Analysis of fixed assets

Items	Houses and Buildings	Machineries and Equipment	Others	Total
Original Cost				
1. Balance at 31 December 2018	32,059	79,177	5,829	117,065
2. Increase in the period	784	3,390	331	4,505
① Purchase	1	15	1	17
② Transform from projects under construction	978	3,011	294	4,283
③ Increase from business combination				
④ Others	(195)	364	36	205
3. Decrease in the period	32	408	52	492
① Disposal or scrap	32	408	52	492
② Others				
4. 31 December 2019	32,811	82,159	6,108	121,078
Accumulated depreciation				
1. 31 December 2018	11,486	47,447	4,867	63,800
2. Increase in current period	725	2,573	221	3,519
① Depreciation for current period	735	2,559	225	3,519
② Increase from business combination				
③ Others	(10)	14	(4)	
3. Decrease in current period	18	339	48	405
① Disposal or scrap	18	339	48	405
② Others				
4. Balance at 31 December 2019	12,193	49,681	5,040	66,914

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.12 Fixed assets (Continued)

6.12.1 Analysis of fixed assets (Continued)

Items	Houses and Buildings	Machineries and Equipment	Others	Total
Provision for impairment				
1. Balance at 31 December 2018	528	2,528	145	3,201
2. Increase				
① Provision for current period				
② Others				
3. Decrease		3		3
① Dispose or scrap		3		3
② Others				
4. 31 December 2019	528	2,525	145	3,198
Book Value				
1. 31 December 2019	20,090	29,953	923	50,966
2. 31 December 2018	20,045	29,202	817	50,064

6.12.2 Temporarily idle fixed assets

Items	Original Cost	Accumulated depreciation	Provision for impairment	Book Value	Notes
Machineries and Equipment	3	2		1	
Total	3	2		1	

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.12 Fixed assets (Continued)

6.12.3 Fixed assets leased out by operating lease

Type	31 December 2019	31 December 2018
Houses and buildings	20	21
Machineries and Equipments	6	7
Total	26	28

6.13 Construction in progress

Items	31 December 2019	31 December 2018
Construction in progress	1,543	1,447
Construction materials	6	11
Total	1,549	1,458

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.13 Construction in progress (Continued)

6.13.1 Construction in progress

6.13.1.1 Details of constructions in progress

Items	31 December 2019			31 December 2018		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
New 9 # Electric Blower Project in Energy Management Center	52		52	6		6
New 40,000 tons/year needle coke project of Chemical Industry Department	39		39	218		218
Upgrading project of 2150 line of hot strip mill	125		125	6		6
Coal Blending Silo Project in West District of Iron mill	84		84	15		15
Supportive project of Spherical flat steel development	42		42	41		41
Steel Smart Logistics Phase I Project	42		42	15		15
Upgrading project of 1700 line of hot strip mill	31		31	4		4
Upgrading project of 4 #, 5 # slab casting machine of No. 2 Branch of Steel mill	35		35			
New Casting Surface Cleaning Device Project of No. 3 Branch of Steel mill				64		64
Reconstruction project of adding activated carbon flue gas desulfurization and denitration equipment to Anshan Steel's Bayuquan 1# sintering machine	183		183	60		60
Converter dedusting reconstruction project	52		52			
Integrated control platform project of intelligent energy				112		112
Others	864	6	858	912	6	906
Total	1,549	6	1,543	1,453	6	1,447

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.13 Construction in progress (Continued)

6.13.1.2 Changes in major constructions in progress

Items	Items Budget	31 December 2018	Increase of the period	Transferred into fixed assets	Other decrease	31 December 2019
New 9 # Electric Blower Project in Energy Management Center	77	6	46			52
New 40,000 tons/year needle coke project of Chemical Industry Department	458	218	179	358		39
Upgrading project of 2150 line of hot strip mill	260	6	119			125
Coal Blending Silo Project in West District of Iron mill	102	15	69			84
Supportive project of Spherical flat steel development	42	41	1			42
Steel Smart Logistics Phase I Project	50	15	27			42
Upgrading project of 1700 line of hot strip mill	350	4	27			31
Upgrading project of 4 #, 5 # slab casting machine of No. 2 Branch of Steel mill	97		35			35
New Casting Surface Cleaning Device Project of No. 3 Branch of Steel mill	148	64	84	148		
Reconstruction project of adding activated carbon flue gas desulfurization and denitration equipment to Anshan Steel's Bayuquan 1# sintering machine	230	60	123			183
Converter dedusting reconstruction project	75		52			52
Integrated control platform project of intelligent energy	120	112	8	105	15	
Others	13,007	906	3,636	3,672	12	858
Total		1,447	4,406	4,283	27	1,543

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.13 Construction in progress (Continued)

6.13.1.2 Changes in major constructions in progress (Continued)

Items	Accumulated capitalized borrowing cost	Of Which:		Capitalization Rate (%)	Expenditure Over Budget (%)	Project Progress (%)	Resource of Fund
		Capitalized this Period	Capitalization				
New 9 # Electric Blower Project in Energy Management Center					68	98	Self-financing
New 40,000 tons/year needle coke project of Chemical Industry Department					87	97	Self-financing
Upgrading project of 2150 line of hot strip mill	5	5	4.32	48	48	48	Self-financing
Coal Blending Silo Project in West District of Iron mill	2	2	4.32	83	95	95	Self-financing
Supportive project of Spherical flat steel development				99	99	99	Self-financing and government financing
Steel Smart Logistics Phase I Project	1	1	4.32	84	98	98	Self-financing
Upgrading project of 1700 line of hot strip mill				9	9	9	Self-financing
Upgrading project of 4 #, 5 # slab casting machine of No. 2 Branch of Steel mill				36	36	36	Self-financing
New Casting Surface Cleaning Device Project of No. 3 Branch of Steel mill	1			99	99	99	Self-financing
Reconstruction project of adding activated carbon flue gas desulfurization and denitration equipment to Anshan Steel's Bayuquan 1# sintering machine				79	80	80	Self-financing
Converter dedusting reconstruction project				69	70	70	Self-financing
Integrated control platform project of intelligent energy				99	99	99	Self-financing
Others	268	21	4.44	69	69	69	Self-financing
Total	277	29	-	-	-	-	-

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.13 Construction in progress (Continued)

6.13.1.3 Provision of Impairment

Items	31 December 2018	Increase in	Decrease in	31 December 2019
		Current Period Impairment Recognized	Current Period Reversal	
Chaoyang Iron and Steel Hot Rolling Pickling Board Production Line Project	6			6
Total	6			6

6.13.2 Construction materials

Items	31 December 2019	31 December 2018
Special material Special equipment	6	11
Total	6	11

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.14 Right-of-use assets

Items	Land Use Right	Machineries and Equipment	Total
Original Cost			
1. Balance at 31 December 2018			
2. Increase in the period	239	3	242
① Lease	239	3	242
② Increase from business combination			
③ Others			
3. Decrease in the period			
① Disposal			
② Decrease from business combination			
4. Balance at 31 December 2019	239	3	242
Accumulated depreciation			
1. Balance at 31 December 2018			
2. Increase in current period	80		80
① Depreciation for current period	80		80
② Increase from business combination			
3. Decrease in current period			
① Disposal			
② Decrease from business combination			
4. Balance at 31 December 2019	80		80
Provision for impairment			
1. Balance at 31 December 2018			
2. Increase			
Provision for current period			
3. Decrease			
Disposal			
4. Balance at 31 December 2019			

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.14 Right-of-use assets (Continued)

Items	Land Use Right	Machineries and Equipment	Total
Book Value			
1. 31 December 2019	159	3	162
2. 31 December 2018			

6.15 Intangible assets

Items	Land Use Right	Non-Patented Technology	Software	Trademark Right	Total
Original Cost					
1. 31 December 2018	8,319	42	74	5	8,440
2. Increase			27		27
① Purchase			27		27
② Internal R&D					
③ Enterprise merger					
④ Others					
3. Decrease:					
① Disposition					
② Enterprise merger					
4. 31 December 2019	8,319	42	101	5	8,467
Accumulative amortization					
1. 31 December 2018	2,021	42	57	5	2,125
2. Increase	168		11		179
① Counting and Drawing	168		11		179
② Enterprise merger					
3. Decrease					
① Disposition					
② Enterprise merger					
4. 31 December 2019	2,189	42	68	5	2,304

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.15 Intangible assets (Continued)

Items	Land Use Right	Non-Patented Technology	Software	Trademark Right	Total
Provision for impairment					
1. 31 December 2018					
2. Increase:					
① Counting and Drawing					
3. Decrease					
① Disposition					
4. 31 December 2019					
Book value					
1. 31 December 2019	6,130		33		6,163
2. 31 December 2018	6,298		17		6,315

6.16 Deferred income tax assets and deferred income tax liabilities

6.16.1 Recognized deferred income tax assets

Items	31 December 2019		31 December 2018	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Provision for impairment	244	976	196	783
Deductible loss	417	1,668	172	692
Unrealized inter-group profit	45	180	25	100
Termination benefits	43	173	46	186
Accumulated depreciation of fixed assets	33	132	32	127
Salaries payable	8	33	31	122
Employee training expenses	9	36	10	40
Deferred income	112	448	123	494
Profit or loss arising from fair value changes of other investments in equity instruments	108	430	135	539
Changes for fair value of financial assets (liabilities) held for trade			1	3
Others	9	36	10	40
Total	1,028	4,112	781	3,126

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.16 Deferred income tax assets and deferred income tax liabilities (Continued)

6.16.2 Recognized deferred income tax liabilities

Items	31 December 2019		31 December 2018	
	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred Income Tax Liabilities	Taxable Temporary Difference
Valuation of trading financial instruments and derivative financial instruments – conversion of equity	32	128	17	68
Capitalized borrowing costs			3	10
Profit or loss arising from fair value changes of other investments in equity instruments	60	241	54	220
Unrealized internal-group profit			3	12
Fair value variation of financial assets held for trade	1	1		
Total	93	370	77	310

6.16.3 Unrecognized deferred income tax assets

Items	31 December 2019	31 December 2018
Deductible temporary difference-provision for impairment (Note)	2,504	
Deductible loss	52	
Total	2,556	

Note : The temporary difference was caused by the depreciation of the fixed assets of the Subsidiary company—Ansteel Group Chaoyang Steel & Iron Co., Ltd. (hereinafter referred to as “Chaoyang Steel & Iron”) in 2014. Our company obtained control of Chaoyang Steel & Iron in 2018, but the corresponding depreciation in 2018 and before was not recognized as a tax reduction item by the local tax authority.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.16 Deferred income tax assets and deferred income tax liabilities (Continued)

6.16.4 Deductible loss of the unrecognized deferred income tax assets will expire in the following years

Items	31 December 2019	31 December 2018
The year of 2024	52	
Total	52	

6.17 Other non-current assets

Items	31 December 2019	31 December 2018
Prepayment for Construction Projects	1,051	1,141
Total	1,051	1,141

6.18 Short-term loans

Items	31 December 2019	31 December 2018
Pledged loans		250
Guaranteed loans		1,000
Credit loans	12,195	11,930
Total	12,195	13,180

Note: The guaranteed loans of the short-term loans are mainly used to replenish liquid capital.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.19 Derivative financial liabilities

Items	31 December 2019	31 December 2018
Future contracts		3
Total		3

6.20 Notes payable

Items	31 December 2019	31 December 2018
Bank acceptance notes	3,143	1,400
Total	3,143	1,400

Note: There are no notes payable that have expired but have not been paid on 31 December 2019. The above aging of the Group's notes payable at the end of the year is within 1 year.

6.21 Accounts payable

6.21.1 Aging of accounts payable

Items	31 December 2019		31 December 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	5,332	98.30	7,563	98.70
1 to 2 years	8	0.15	15	0.20
2 to 3 years	2	0.04	5	0.07
Over 3 years	82	1.51	80	1.03
Total	5,424	100.00	7,663	100.00

Note: the above aging analysis is based on the invoice date.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.21 Accounts payable (Continued)

6.21.2 Significant account payable aging over 1 year

Creditors	Balance owe	Aging
Tangyuan Tianyu Coal & Coke Energy Co., Ltd.	65	1 to 2 years, 3 to 4 years, Over 5 years
Total	65	

6.22 Contract liabilities

Items	31 December 2019	31 December 2018
Selling of products	4,881	4,781
Others	15	14
Total	4,896	4,795

6.23 Employee benefits payable

6.23.1 Analysis of employee benefits payable

Items	31 December 2018	Increase	Decrease	31 December 2019
Short-term remuneration	91	3,566	3,579	78
After-service benefits defined contribution plans		633	633	
Termination benefits	92	249	266	75
Total	183	4,448	4,478	153

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.23 Employee benefits payable (Continued)

6.23.2 The situation about short-term remuneration

Items	31 December		31 December	
	2018	Increase	Decrease	2019
1.Salaries, bonus and allowance	35	2,616	2,618	33
2.Staff welfare		289	289	
3.Social insurance	2	250	250	2
Including: Medical insurance	2	196	196	2
Staff and workers' injury insurance		50	50	
Maternity insurance		2	2	
Others		2	2	
4.Housing fund		287	287	
5.Labor union fee and staff training fee	54	58	69	43
6.Short paid absences				
7.The short-term profit sharing plan				
8.Others		66	66	
Total	91	3,566	3,579	78

6.23.3 Defined Contribution Plans

Items	31 December		31 December	
	2018	Increase	Decrease	2019
1.Basic pension insurance		454	454	
2.Unemployment insurance		13	13	
3.Occupational pension		166	166	
Total		633	633	

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.24 Taxes payable

Items	31 December 2019	31 December 2018
VAT	143	304
Environmental protection tax	18	20
Resource tax	1	1
Corporate income tax	(286)	176
City maintenance and construction tax	29	9
Property tax	17	13
Land use tax	37	37
Individual income tax	9	9
Educational surcharges	21	6
Others	8	14
Total	(3)	589

6.25 Other payables

Items	31 December 2019	31 December 2018
Interests payable	9	9
Dividends payable	8	
Other payables	2,513	2,277
Total	2,530	2,286

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.25 Other payables (Continued)

6.25.1 Interests payable

Items	31 December 2019	31 December 2018
Staging interest maturity of long-term borrowings	5	7
Interest for corporate bonds		2
Interest for short-term loans	4	
Total	9	9

6.25.2 Dividends payable

Items	31 December 2019	31 December 2018
FAW Jiefang Automotive Co., Ltd.	8	
Total	8	

6.25.3 Other payables

6.25.3.1 Classification of other payables by nature

Items	31 December 2019	31 December 2018
Construction payable	1,112	827
Quality assurance	682	556
Performance assurance	200	220
Deposit for steel shelves	27	22
Freight charges	25	23
The special funds paid by Anshan Iron and Steel Group Company	344	337
Borrowing		81
Others	123	211
Total	2,513	2,277

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.25 Other payables (Continued)

6.25.3 Other payables (Continued)

6.25.3.2 Significant balances of other payables aging over 1 year

Creditors	Balance	Reason	Whether paid after 31 December 2019
Angang Group Engineering Technology Co., LTD	107	Project quality assurance	No
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	53	Project quality assurance	No
Angang Construction Group Co., Ltd.	21	Project quality assurance	No
Sinosteel Anshan research institute of thermo-energy Co., Ltd	17	Project quality assurance	No
Anshan Iron and Steel Group Automation Company	16	Project quality assurance	No
Air liquide (Hangzhou) Co., Ltd.	14	Project quality assurance	No
MCC heavy industry equipment Co., Ltd.	11	Project quality assurance	No
Total	239		

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.26 Non-current liabilities due within 1 year

Items	31 December 2019	31 December 2018
Long-term loans due within 1 year (Note. 6.27)	1,003	2,648
Total	1,003	2,648

6.27 Long-term loans

6.27.1 Classification of long-term loans

Items	31 December 2019	31 December 2018
Guaranteed loans	257	360
Credit loans	4,138	4,583
Subtotal	4,395	4,943
Less: long-term loans due within 1 year (Note: 6(26))	1,003	2,648
Total	3,392	2,295

6.27.2 Classification of long-term loans by the maturity date

Items	31 December 2019	31 December 2018
Within 1 year	1,003	2,648
1 year to 2 year (include 2 year)	1,203	1,003
2 year to 3 year (include 3 year)	2,151	1,203
3 year to 5 year (include 5 year)	38	89
Total	4,395	4,943

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.28 Bonds payable

6.28.1 Bonds payable

Items	31 December 2019	31 December 2018
Medium-term note		149
Convertible bond	1,513	1,425
Total	1,513	1,574

6.28.2 Increase or decrease in bonds payable

Type of bonds	Par value	Issuance date	Bond duration	Issuance amount	31 December 2018
16MTN002	2,000	3 August 2016	5 years	2,000	100
16MTN003	1,000	31 August 2016	5 years	1,000	49
Convertible bond in 2018 (note 1)	1,512	25 May 2018	5 years	1,299	1,425
Total	4,512	-	-	4,299	1,574

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.28 Bonds payable (Continued)

6.28.2 Increase or decrease in bonds payable (Continued)

Type of bonds	Current issue	Accrued interest at face value	Amortization with the Premium or Discount of Bond (the positive refer to increase, the negative refer to decrease)	Exchange conversion (the positive refer to increase, the negative refer to decrease)	Repayment this period	31 December 2019
16MTN002					100	
16MTN003					49	
Convertible bond in 2018 (note 1)			55	33		1,513
Total			55	33	149	1,513

Note 1: The company issued a five-year zero-rate convertible bond on May 25, 2018 with a total principal amount of HK\$1.85 billion. The bond conversion period is from July 5, 2018 to May 15, 2023. The price of the H Shares to be issued will be initially at HK\$9.54 per share (H Share). The shareholders of the company have approved the cash dividend and the capital reserve to increase the share capital in the 2018 Annual General Meeting of Shareholders, therefore the conversion price has been adjusted to HK\$6.76 per share since June 7, 2019. On the issue date, the convertible bonds embedded in the derivative financial instruments are initially recognized at fair value, and the portion of the issue price that exceeds the initial recognition as a derivative financial instrument is recognized as a debt instrument.

Note 2: The maturity dates of the above-mentioned bonds payable are between two and five years.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.29 Lease liability

Items	31 December 2019	31 December 2018
lease payments	168	
Less: Unrecognized financing expenses	8	
Total	160	

6.30 Long-term employee benefits payable

Items	31 December 2019	31 December 2018
Termination benefits	98	97
Total	98	97

6.31 Deferred income

Items	31 December 2018	Increase	Decrease	31 December 2019	Cause of formation
Government grants	630	37	83	584	
Total	630	37	83	584	

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.31 Deferred income (Continued)

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

Items	31 December 2018	New grants	Belong to Non- business income	Belong to Other income	Other decrease	31 December 2019	Associated with the asset/income
The government grants related to environmental protection	178			41		137	Asset
The government grant related to scientific research	298	19		23		294	Assets/Income related
Others	154	18	1	18		153	Assets/Income related
Total	630	37	1	82		584	

6.32 Other non-current liabilities

Items	31 December 2019	31 December 2018
Embedded derivative financial instruments	79	139
Total	79	139

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.33 Share capital

Items	31 December 2018		Increase/Decrease				31 December 2019		
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	Proportion
1. Ordinary A shares	6,149	85			1,845		1,845	7,994	85
2. Foreign shares listed overseas	1,086	15			325		325	1,411	15
Total	7,235	100			2,170		2,170	9,405	100

Note: According to the resolution of the 2018 Annual General Meeting of Shareholders held on May 28, 2019, the capital reserve will be transferred to share capital for all shareholders in the current period, and the share capital will be increased by 3 shares for every 10 shares.

6.34 Capital reserve

Items	31 December 2018	Increase	Decrease	31 December 2019
Share premium	35,280		2,170	33,110
Other capital reserve	375			375
Total	35,655		2,170	33,485

Note: The reason for the decrease in capital reserve for the current period is as follows Note 6.33.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.35 Other comprehensive income

Items	31 December 2018	Amount for the period before tax	The amount of this period			31 December 2019
			Minus: transform into profit or loss from other comprehensive income	Minus: income tax expenses	The After-tax amount attributed to the parent company	
1. Other comprehensive income will not reclassified into the gains and losses						
Profit or loss arising from fair value changes of other investments in equity instruments	(240)	(54)	(185)	32	99	(141)
	(240)	(54)	(185)	32	99	(141)
2. Other comprehensive income will reclassified into the gains and losses						
The share which enjoyed by the invested unit reclassified into profit or loss in other comprehensive income under the equity method	(1)	3			3	2
	(1)	3			3	2
Total	(241)	(51)	(185)	32	102	(139)

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.36 Special reserve

Items	31 December 2018	Increase of the period	Decease of the period	31 December 2019
Safety production expenses	49	120	115	54
Total	49	120	115	54

6.37 Surplus reserve

Items	31 December 2018	Increase of the period	Decease of the period	31 December 2019
Statutory surplus reserve	3,628	95		3,723
Total	3,628	95		3,723

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.38 Undistributed profit

Items	This period	Last period
Balance as of 31 Dec. 2018	5,636	7,604
Changes in accounting policies		115
Business combination under the common control		(8,262)
Balance as of 1 Jan. 2019	5,636	(543)
Increase in 2019	1,787	7,952
Including: Net profit transferred this year	1,787	7,952
Other adjustment factors		
Decrease in 2019	1,872	1,773
Including: Extraction of surplus reserve this year	95	48
Extraction of general risk provisions in this year		
Distribution of cash dividend this year (note 1)	1,592	1,678
Conversed capital		
Other decreases (Note 2)	185	47
Balance as of 31 Dec. 2019	5,551	5,636

Note 1: According to the resolution of the 2018 Annual General Meeting of Shareholders held on May 28, 2019, the Company distributed cash dividends to all shareholders at RMB0.22 per share. According to the issued shares of 7,234,807,847 shares, it's totaling RMB1,592 million. All of them have been released as of 31 December 2019.

Note 2: Other decrease RMB185 million of undistributed profit for the period was the Company's write-off of other investments in equity instrument of Tianjin Tiantie. Changes in fair value that have been included in other comprehensive income in previous years are transferred to undistributed profits for the period at the time of write-off.

Note 3: The Board recommended distributing approximately RMB536 million of distributable profits to all shareholders of the Company by way of cash dividend of RMB0.57 (tax inclusive) per 10 shares on the basis of the total share capital of 9,405,250,201 shares. This plan will be submitted to 2019 annual general meeting for consideration. The cash dividend recommended after the balance sheet date is not recognized as a liability on the balance sheet date.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.39 Operating income and operating costs

6.39.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	105,096	96,371	104,849	87,845
Other operating	491	411	308	281
Total	105,587	96,782	105,157	88,126

Note: The Group is classified into an operating segment based on the type of business: production and sale of steel products.

6.39.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	98,511	99,371
Foreign exchange income from outside borders	7,076	5,786
Total	105,587	105,157

6.39.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirm at a certain point	105,587	105,157
Total	105,587	105,157

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.40 Tax and surcharges

Items	This period	Last period
City maintenance and construction tax	120	267
Educational surcharge and local educational surcharge	86	191
Land use tax	429	398
Property tax	157	149
Stamp tax	87	83
Resources tax	3	3
Environmental protection tax	79	92
Other	1	1
Total	962	1,184

Note: Please refer to Note 5. Tax for details of various taxes and additional payment standards.

6.41 Marketing expenses

Items	This period	Last period
Delivery expense	2,448	2,458
Packing expense	70	76
Sales and service expense	118	75
Employee benefits	183	195
Warehouse storage expense	57	48
Agency fee for commissioned sales	34	23
Insurance expense	8	9
Others	146	183
Total	3,064	3,067

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.42 Administrative expenses

Items	This period	Last period
Employee benefits	802	708
Amortization of intangible asset	178	171
Depreciation	125	74
Computer maintenance expense	50	49
Repair and maintenance	28	50
Afforestation fees		22
Agency fees	30	22
Including: Auditor's fee for annual report	5	5
Others	118	170
Total	1,331	1,266

6.43 Research and development expenses

Items	This period	Last period
Raw material consumption fee	129	162
Labor cost	153	154
Depreciation	33	64
Subcontracting expenses	90	96
Travel expenses	7	5
Others	31	2
Total	443	483

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.44 Financial expenses

Items	This period	Last period
Interest expense	1,112	1,430
Including: interests expense from the long-term loans and long-term bonds	237	324
Interests expense from the short-term loans and letters of credit	651	736
Other interest expenditures	224	370
Less: Interest income	42	36
Less: capitalized interest expense	29	14
Exchange gain or loss	31	77
Less: capitalized exchange gain or loss		
Others	21	14
Total	1,093	1,471

6.45 Other income

Items	This period	Last period	Recorded into extraordinary gains and losses
The government grants related to environment protection	41	40	41
The government grants related to scientific research	23	31	23
Others	18	12	18
Total	82	83	82

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.46 Investment income

Items	This period	Last period
Long-term equity income under the equity method	182	286
Investment income of other investments in equity instruments invested in the holding period	9	9
Investment income from disposal of long-term equity investments		2
Others	(25)	18
Total	166	315

6.47 Gains/losses from fair value variation

Sources	This period	Last period
Changes in fair value of derivative financial assets	(1)	1
Changes in fair value of other non-current financial assets	3	(5)
Changes in fair value of derivative financial liabilities	3	(4)
Changes in fair value of embedded derivative financial instruments	60	68
Total	65	60

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.48 Impairment losses on assets

Items	This period	Last period
Provision for written-down of inventories	137	75
Impairment Provision for construction in progress		(1)
Total	137	74

Note: The positive numbers refer to gains and negative numbers refer to losses.

6.49 Credit impairment loss

Items	This period	Last period
Accounts receivable	(344)	(9)
Other accounts receivable	4	(1)
Total	(340)	(10)

Note: The positive numbers refer to gains and negative numbers refer to losses.

6.50 Asset disposal income

Items	This period	Last period
Fixed asset disposal income	3	6
Total	3	6

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.51 Non-operating income

Items	This period	Last period	Recorded into extraordinary gains and losses
Gains from destroy or scrap of non-current assets	7	25	7
Government grant	1	4	1
Liquidated damages	4	17	4
Others	3	10	3
Total	15	56	15

Government grant recorded into profit/loss for current period:

Items	This period	Last period	Assets/Income related	Whether subsidies affect the profit and loss of the period
Shanghai Baoshan District Enterprise Support Fund	1	1	Income related	No
Shanghai Enterprise Development Support Fund		3	Income related	No
Total	1	4	–	–

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.52 Non-operating expenses

Items	This period	Last period	Recorded into extraordinary gains and losses
The loss on destroy or scrap of non-current assets	64	125	64
External donation	2	7	2
Others	2	4	2
Total	68	136	68

6.53 Income tax expenses

6.53.1 Income tax expenses

Items	This period	Last period
Income tax during this period	477	810
Changes on deferred income tax expenses	(265)	1,246
Total	212	2,056

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.53 Income tax expenses (Continued)

6.53.2 The reconciliation between accounting profit and income tax expenses

Items	This period
Total profit	1,972
Income tax expenses calculated at statutory/applicable tax rates	493
Effect of different tax rates applied by subsidiary companies	
Effect of adjustments for income tax for prior period	(29)
Effect of income not subject to tax	(133)
Effect of costs, expenses and loss not deductible for tax purpose	14
Effect of deductible loss of deferred income tax assets not recognized in prior periods	(121)
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	13
Changes in the balance of deferred income tax assets/liabilities at the beginning of the year resulting from tax rate adjustments	
Others	(25)
Income tax expenses	212

6.54 The other comprehensive income

Please refer to Note 6.35.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.55 Items on statements of cash flow

6.55.1 Cash received from operating activities

Items	This period	Last period
Government grants	36	34
Deposit income	248	16
Others	43	22
Total	327	72

6.55.2 Cash paid for operating activities

Items	This period	Last period
Freight fee	1,411	1,872
Commission for processing products	581	585
Testing fee for energy saving	262	235
Research and development expense	138	83
Purchases and sales business fee	129	101
Security and firefighting expense	97	14
Pipeline transportation fee	62	64
Computer maintenance fee	61	104
Storage expenses	45	50
Agency fee	31	23
Afforestation fee	27	48
Insurance fee	23	42
Sewage fee		23
Other operating expenses	501	650
Total	3,368	3,894

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.55 Items on statements of cash flow (Continued)

6.55.3 Cash received from investment activities

Items	This period	Last period
Income from test run		2
Interests revenue	41	39
Future contract income	26	91
Construction risk guarantee	1	
Cash received for acquisition of FAW Angang		35
Total	68	167

6.55.4 Cash paid for investment activities

Items	This period	Last period
Future contract loss	51	82
Cash paid for disposal of Angang Weifang		1
Total	51	83

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.55 Items on statements of cash flow (Continued)

6.55.5 Cash received from financing activities

Items	This period	Last period
Received "Guangzhou Auto Steel" Repayment	33	180
Borrowings received by Angang Chaoyang from Ansteel Group		200
Total	33	380

6.55.6 Cash paid for financing activities

Items	This period	Last period
Repayment of entrusted loans	696	500
Pay the lease expenses	90	
Agency fees for loans	3	3
Total	789	503

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.56 Supplement of cash flow statement

6.56.1 Reconciliation of net profit to cash flows from operating activities

Items	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,760	7,952
Add: Provision for impairment on asset	(137)	(74)
Provision for impairment on credit	340	10
Depreciation of fixed assets	3,519	3,516
Amortization of intangible assets	179	173
Depreciation of right-of-use asset	80	
Loss on disposal of fixed assets, Intangible assets and other non- current assets ("-" for gains)	(3)	(6)
Loss on scrap of fixed assets ("-" for gains)	57	100
Loss on the change of fair value ("-" for gains)	(65)	(60)
Financial expenses ("-" for gains)	1,043	1,380
Investment loss ("-" for gains)	(166)	(315)
Decrease in deferred tax assets ("-" for increase)	(274)	1,230
Increase in deferred tax liabilities ("-" for decrease)	10	16
Decrease in inventories ("-" for increase)	3,357	(583)
Decrease in operating receivables ("-" for increase)	1,418	(1,709)
Increase in operating payable("-" for decrease)	(1,104)	(3,343)
Others	6	7
Net cash flow from operating activities	10,020	8,294

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.56 Supplement of cash flow statement (Continued)

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

Items	This period	Last period
2. Change in cash and cash equivalent		
Cash at the end of the period	4,671	2,154
Less: cash at the beginning of the period	2,154	2,670
Add: cash equivalent at the end of the period		
Less: cash equivalent at the beginning of the period		
Net increase in cash and cash equivalents	2,517	(516)

6.56.2 Composition of cash and cash equivalents

Items	31 December 2019	31 December 2018
1. Cash at bank and on hands	4,671	2,154
Of which: Cash		
Bank deposits available	4,504	2,015
Other deposits available	167	139
2. Cash equivalents		
Of which: Bonds due within 3 months		
3. Closing balance of cash and cash equivalents	4,671	2,154

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.57 Restricted assets of ownership or use rights

Items	31 December 2019	Notes receivable
Notes receivable	198	Pledge
Total	198	

6.58 Foreign currency monetary

Items	Foreign currency closing balance	Conversion calculation	Closing balance in CNY
Notes payable	1,689	0.8958	1,513
Other non-current liabilities (2018 convertible bonds – embedded derivative financial instruments)	88	0.8958	79
Total	1,777	–	1,592

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.59 Government grants

6.59.1 The basic situation of government grants

Items	The basic situation of government grants identified at the beginning of the period		Government grants included in the profit or loss
	Amounts	Items	
The government grants related to environmental protection		Deferred income, other income	41
The government grants related to scientific research	19	Deferred income, other income	23
Others	17	Deferred income, other income	18
Others	1	Non-operating income	1
Total		37	83

6.59.2 Return of government grants

The Group has not received any government grants refund this period.

7. CHANGES IN CONSOLIDATION SCOPE

ASPD-CC, a subsidiary of the Company, invested in the establishment of ASPD-HZ. ASPD-CC holds 100% of the shares and the registered capital is RMB118 million.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES

8.1 Interest in the subsidiary

8.1.1 The constitution of the enterprise group

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Direct	Indirect	Acquisition	Nature of Subsidiaries
					stake (%)	stake (%)		
Angang Steel Distribution (Wuhan) Co., Ltd. ("Angang Wuhan")	Wuhan	Wuhan	237	Steel Processing and Distribution	100		Establish	Wholly-owned
Angang Steel Distribution (Hefei) Co., Ltd. ("Angang Hefei")	Heifei	Heifei	101	Steel Processing and Distribution	100		Establish	Wholly-owned
Shenyang Anshan Iron and Steel International Trade Co., Ltd. ("Shenyang Trade")	Shenyang	Shenyang	100	Sales of metal materials and products, building materials, etc.	100		Combination under common control	Wholly-owned
Shanghai Anshan Iron and Steel International Trade Co., Ltd. ("Shanghai Trade")	Shanghai	Shanghai	100	Wholesale and retail purchasing services	100		Combination under common control	Wholly-owned
Tianjin Anshan Iron and Steel International Trade Co., Ltd. ("Tianjin Trade")	Tianjin	Tianjin	100	Purchase and sale of metal and other materials	100		Combination under common control	Wholly-owned
Guangzhou Anshan Iron and Steel International Trade Co., Ltd. ("Guangzhou Trade")	Guangzhou	Guangzhou	100	Technology import and export of goods, Wholesale and retail trade	100		Combination under common control	Wholly-owned
Shenyang Anshan Iron and Steel Processing and Distribution Co., Ltd. ("Shenyang Steel")	Shenyang	Shenyang	157	Steel Processing and Distribution	100		Combination under common control	Wholly-owned
Anshan Iron and Steel Processing and Distribution (Dalian) Co., Ltd. ("Angang Dalian")	Dalian	Dalian	266	Steel Processing and Distribution	100		Established	Wholly-owned

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (Continued)

8.1 Interest in the subsidiary (Continued)

8.1.1 The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Direct	Indirect	Acquisition	Nature of Subsidiaries
					stake (%)	stake (%)		
Ningbo Anshan Iron and Steel International Trade Co., Ltd. ("Ningbo Trade")	Ningbo	Ningbo	6	Steel trade	100		Established	Wholly-owned
Yantai Anshan Iron and Steel International Trade Co., Ltd. ("Yantai Trade")	Yantai	Yantai	100	Steel trade	100		Established	Wholly-owned
Angang Steel Distribution (Zhengzhou) Co., Ltd. ("Angang Zhengzhou")	Zhengzhou	Zhengzhou	149	Steel Processing and Distribution	100		Established	Wholly-owned
Anshan Iron and Steel Processing and Distribution Guangzhou Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	120	Steel Processing and Distribution	75		Established	Joint venture
Anshan Iron and Steel Processing and Distribution (Tianjin) Co., Ltd. ("Angang Tianjin")	Tianjin	Tianjin	43	Steel Processing and Distribution	51		Combination under common control	Joint venture
Kobelco Angang Auto Steel Co Ltd ("Angang Kobelco")	Anshan	Anshan	700	Processing and sale of steel rolling	51		Established	Sino-Japanese joint venture
ASPD-CC	Changchun	Changchun	382	Production, processing and steel products Sell products sales and distribution Technology research and development	100		Combination not under common control	Wholly-owned

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (Continued)

8.1 Interest in the subsidiary (Continued)

8.1.1 The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Direct stake (%)	Indirect stake (%)	Acquisition	Nature of Subsidiaries
Angang Steel Technology and Development Co., Ltd. ("Technology and Development")	Anshan	Anshan	50	Metallurgy and related materials, equipment Development and development	100		Established	Wholly-owned
Angang Chemical Technology Co., Ltd	Anshan	Anshan	2500	Coking gas purification and production of coal products	100		Established	Wholly-owned
Energy and Technology	Anshan	Anshan	50	Production of dissolved acetylene; Sales of compressed gases. and liquefied gas	60		Combination under common control	Joint venture
FAW Angang	Changchun	Changchun	90	Steel Processing and Distribution	60		Combination not under common control	Joint venture
Angang Chaoyang	Chaoyang	Chaoyang	8000	Steel rolling processing and sales	100		Combination under common control	Wholly-owned
Angang Hangzhou	Hangzhou	Hangzhou	118	Steel, steel coil Processing, sales and Distribution		100	Established	Wholly-owned

Note : The subsidiaries mentioned above are all registered and established in accordance with Chinese law, and the types of legal persons are limited liability companies.

8.1.2 By end of 31 December 2019, no subsidiaries of the Company issued share capital or debt securities.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (Continued)

8.2 Interests in joint ventures or associates

8.2.1 The joint ventures or associates

Name	Principal place of business	Registration place	Nature of the business	Direct stake (%)	Accounting Treatment
ANSC-TKS	Dalian	Dalian	Galvanized and alloyed steel Board production and sales	50	Equity method
ANSC - Dachuan	Dalian	Dalian	Steel processing and sales	50	Equity method
Guangzhou Automobile Steel	Guangzhou	Guangzhou	Manufacturing Steel products	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,	49.8	Equity method
AISSG	Hangzhou	Hangzhou	Trade, warehousing services	49	Equity method
Guang Qi Bao Shang	Guangzhou	Guangzhou	Steel Processing and Distribution	30	Equity method
Meizhou Automobile	Meizhou	Meizhou	Automobile parts	25	Equity method
Chaoyang Zhongan Water Co., Ltd	Chaoyang	Chaoyang	Water production and supply	45	Equity method

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (Continued)

8.2 Interests in joint ventures or associates (Continued)

8.2.2 The accounting information of the important joint ventures

Items	ANSC-TKS	
	31 December 2019/the Date Occurred in This Period	31 December 2018/the Date Occurred in Last Period
Current assets	1,708	1,688
Including: Cash and cash equivalents	373	327
Non- Current assets	560	577
Total Assets	2,268	2,265
Current liabilities	1,025	942
Non- Current liabilities	2	3
Total Liabilities	1,027	945
Minority interests		
Subtotal of Shareholders' equity		
attributable to shareholders of parent		
Parent Company	1,241	1,320
The net assets calculated by the share		
percentage held	620	660
Adjusting events		
-goodwill		
-unrealized profit resulting from intra-		
group trade	(34)	(60)
-others		
The book value of equity investments in		
joint ventures	586	600
The fair value of the equity investments		
in joint ventures which exist the public		
offer		
Operating revenue	4,666	5,229
Finance costs	14	11
Income tax expenses	51	16
Net profit	149	228
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	149	228
Dividends received from joint ventures		
this year	114	240

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (Continued)

8.2 Interests in joint ventures or associates (Continued)

8.2.3 The accounting information of the important association

Items	Angang Finance	
	31 December 2019/the Date Occurred in This Period	31 December 2018/the Date Occurred in Last Period
Current assets	7,325	5,938
Including: Cash and cash equivalents	6,222	5,598
Non- Current assets	17,539	19,827
Total Assets	24,864	25,765
Current liabilities	17,849	18,858
Non- Current liabilities	11	9
Total Liabilities	17,860	18,867
Minority interests	21	19
Subtotal of Shareholders' equity		
attributable to shareholders of parent		
Parent Company	6,983	6,879
The net assets calculated by the share		
percentage held	1,397	1,376
Adjusting events		
–goodwill		
–unrealized profit resulting from intra-		
group trade		
–others		
The book value of equity investments in		
associations	1,397	1,376
The fair value of the equity investments		
in associations which exist the public		
offer		
Operating revenue	882	1,097
Finance costs		
Income tax expenses	115	240
Net profit	433	712
Net profit from discontinued operations		
Other comprehensive income	13	16
The total of comprehensive income	446	728
Dividends received from associations this		
year	67	121

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (Continued)

8.2 Interests in joint ventures or associates (Continued)

8.2.4 The accounting information of the unimportant joint ventures and associations

Items	31 December 2019/the Date Occurred in This Period	31 December 2018/the Date Occurred in Last Period
Associations:		
The book value of equity investments	558	539
The followings are calculated by shares		
– Net profit	28	8
– Other comprehensive income		
– The total of comprehensive income	28	8
Joint ventures:		
The book value of equity investments	353	288
The followings are calculated by shares		
– Net profit	12	22
– Other comprehensive income		
– The total of comprehensive income	12	22

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

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 monetary.

Sensitivity analysis techniques are adopted by the Group to analyze the rationality of risk variables, and the effects of the changes on profit or loss or shareholders' equity. The risk variables seldom changes individually, and the changes of one risk variables may have a significant effect on the amount of the other with a correlation, therefore, the following content is based on the assumption that changes of each variable are independent.

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.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL Instruments (Continued)

9.1 Market risk

9.1.1 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 U.S. dollar and the H.K. dollar. Besides the following assets or liabilities in U.S. dollar and the H.K. dollar by end of 31 December 2019, other assets and liabilities of the Group are denominated in RMB balances.

Unit: Yuan

Items	31 December 2019	31 December 2018
Bank deposits (USD)	100,719.75	100,668.70
Bank deposits (HKD)	170.29	170.28
Bond Payable (HKD)	1,688,705,152.39	1,625,867,493.32
Other non-current liabilities (HKD)	88,016,170.04	158,667,974.88

In terms of the major foreign currency transactions such as exporting sales of products, importing and procurement of raw materials for production and engineering equipment, the Group conducts imports and exports agency transactions through trading with Angang Trade. The foreign exchange risk is mainly reflected in the impact of exchange rate changes on sales and purchase costs during agency settlement.

- A. On 31 December 2019, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6.1, 28 and 32.
- B. the Group's main foreign exchange rates apply as follows:

Items	Average Exchange Rate		Middle Exchange Rate on the Reporting Date	
	This Period	Last Period	This Period	Last Period
U.S. dollar	6.8967	6.6118	6.9762	6.8632
H.K. dollar	0.8802	0.8436	0.8958	0.8762

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL Instruments (Continued)

9.1 Market risk (Continued)

9.1.1 Exchange risk (Continued)

C. Sensitivity analysis

On 31 December 2019, 1% increase in the foreign exchange rate would result in an increase (decrease) of RMB in shareholders' equity and net profit as follows:

Unit: Million

Date	Item	The impact on net profit	The impact on shareholders' equity
31 December 2019	USD		
	HKD	(12)	(12)
31 December 2018	USD		
	HKD	(13)	(13)

By end of 31 December 2019, under the assumption that all other variables remain the same premise, if the RMB against the USD and HKD 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. Last period analysis based on the same assumptions.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL Instruments (Continued)

9.1 Market risk (Continued)

9.1.2 Interest rate risk

The Group's interest-bearing financial instruments on 31 December 2019 please refer to notes 6.1,18,26,27 and 28.

Sensitivity analysis:

The principles of the Group's interest rate risk management aim to reduce the impact of short-term fluctuations on the Group's profits. However, in the long term, permanent changes in interest rates will affect profits.

As of 31 December 2019, 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 RMB102 million decrease (last period: RMB133 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. The analysis of last period is based on the same assumptions.

9.2 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 2019 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL Instruments (Continued)

9.2 Credit risk (Continued)

The majority of the Group's customers have business tractions with the Group for many years; therefore, losses are infrequently occurred. The Group analyzed the aging, maturity and other customer information in order to monitor the Group's credit risk.

As of 31 December 2019, except for the impairment provision of RMB338 million for accounts receivable transferred from overdue notes receivable, the other receivables of the Group had no significant impairment.

Due to the accounts receivables of the top five customers, which are accounted for 60% of the receivables and other receivables on the balance sheet date (at the beginning of this period: 45%), the Group may face a certain degree of credit risk concentration.

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

9.3 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 6.27.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL Instruments (Continued)

9.4 Transfer of financial assets

Transferred financial assets which have been derecognized entirely but continue to be involved in.

On December 31, 2019, the amount of bank acceptance notes endorsed by the Group to suppliers for settlement of accounts payable was RMB7,962 million, and the amount of commercial acceptance notes was RMB0 million; The amount of bank acceptance notes discounted to financial institutions is RMB1,891 million, and the amount of commercial acceptance notes was RMB0 million; On December 31, 2019, the maturity date is 1 to 12 months. According to the relevant provisions of the Bills Law, if the drawer refuses to pay, the holder has the right to pursue the group. The Group believes that almost all of its risks and rewards has been transferred. Therefore, the Group derecognised the book value of its settled accounts payable and related.

On December 20, 2019, the Group and the bank reached an open-type non-recourse factoring agreement, transferred RMB888 million accounts receivable to banks, the proceeds of the transfer was RMB796 million. After the accounts receivable were transferred, with regard to the unrecoverable portion that could happen without commercial disputes, the bank should bear its default and bad debt risk. The Group believed that all the risks and rewards of the ownership of the financial asset had been transferred, therefore derecognized accounts receivable of RMB888 million. The Group did not recognized gains or losses on the transfer date, the difference between proceeds of the transfer and accounts receivable was recorded into other receivables.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

10. DISCLOSURE OF THE FAIR VALUE

10.1 The amount of asset and liability measured at fair value and the measurement hierarchies

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).

Items	The Fair Value on 31 December 2019			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
Continues fair value measurement:				
Derivative financial assets				
Other investments in equity instruments			465	465
Other non-current financial assets	38			38
Derivative financial liabilities				
Other non-current liabilities(note)			79	79

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

10. DISCLOSURE OF THE FAIR VALUE (Continued)

10.1 The amount of asset and liability measured at fair value and the measurement hierarchies (Continued)

Items	The Fair Value on 31 December 2018			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
Continues fair value measurement:				
Derivative financial assets	1			1
Other investments in equity instruments			519	519
Other non-current financial assets	35			35
Derivative financial liabilities	3			3
Other non-current liabilities (note)			139	139

Note: The other non-current liabilities refer to the portion of the 2019 convertible bond embedded in derivative instrument, which is measured by binomial options pricing model. The Group conducted a sensitivity analysis on stock price volatility and risk-free interest rate. On December 31, 2019, if the volatility of share price increased or decreased by 1% when the other parameters were unchanged, The value of the convertible bond embedded derivative component increased by RMB2 million or decrease by RMB2 million. If the risk-free rate rises or falls by 1%, the value of the convertible bond embedded derivative component increases by 0 or decrease by RMB70000 .

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

10. DISCLOSURE OF THE FAIR VALUE (Continued)

10.2 Adjustment information between the book value of the continuous third-level fair value measurement project

Items	Other investments in equity instruments	Other non-current liability
Balance at 1 January 2019	519	139
Changes in fair value (included in other comprehensive income)	(54)	
Changes in fair value (included in current profit and loss)		(60)
Balance at 31 December 2019	465	79

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

11.1 Information on the parent of the company

Group Name	Registration Place	The Nature of Business	Registered Capital	The Group's Shareholding	Proportion of Voting-Right
Ansteel Group	Tie Xi District Anshan, Liaoning Province	Production and sale of steel and metal products, steel filament Tubes, and metal structures	26,000	53.33	53.33

Note: Angang Group Corporation is the ultimate controlling party.

11.2 Information on the subsidiaries of the Parent Company

Disclosed in Note 8.1 Subsidiaries.

11.3 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 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.4 Related parties without control relationship

Name of Enterprise	Relation with the Parent Company
Guangzhou Automotive Steel	Joint venture
ANSC-TKS	Joint venture
ANSC – Dachuan	Joint venture
Anshan Jingu	Associate
Nansha Logistical	Associate
Angang Finance	Associate, Fellow subsidiary
Falan Packing	Fellow subsidiary
Angang Cast Steel Co., Ltd	Fellow subsidiary
Angang Mining	Fellow subsidiary
Angang Steel Rope Co., LT	Fellow subsidiary
Anshan Yingkou Harbor co., LT	Fellow subsidiary
Angang Refractory Co., Ltd	Fellow subsidiary
Angang Auto Transport Co., Ltd	Fellow subsidiary
Angang Cold Rolled Steel Plate Co., Ltd. Putian	Fellow subsidiary
Angang House Property Construction	Fellow subsidiary
Angang Ming Auto Transport Co., Ltd	Fellow subsidiary
Anshan Iron and Steel Group Construction Supervision Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Group Corporation Labor Health Research Institute	Fellow subsidiary
Germany's neighboring Lugang (Anshan) Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Metallurgical Furnace Technology Co., Ltd.	Fellow subsidiary

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.4 Related parties without control relationship (Continued)

Name of Enterprise	Relation with the Parent Company
Anshan Jidong Cement Co., Ltd	Joint venture of Angang Group
Angang Beckerini Water Treatment Co., Ltd.	Joint venture of Angang Group
Angang Group International Economic and Trade Co., Ltd. (“Angang Trade”)	Fellow subsidiary
Angang Group Beijing Research Institute Co., Ltd.	Fellow subsidiary
Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	Fellow subsidiary
Pangang Group Xichang Steel and Vanadium Co., Ltd.	Fellow subsidiary
Angang Group Information Industry Co., Ltd	Fellow subsidiary
Pangang Trade	Fellow subsidiary
Pangang Group Iron and Vanadium Titanium Resources Co. Ltd	Fellow subsidiary
Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	Fellow subsidiary
Pangang Engineering Technology Co., Ltd	Fellow subsidiary
Angang Engineering Technology Development Co., Lt	Fellow subsidiary
Angang Group Zhongyuan Industry Development Co., Ltd.	Fellow subsidiary

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions

11.5.1 Related-party transactions within Ansteel Group Corporation Limited

11.5.1.1 Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Raw materials	Note.1	19,277	16,435
Steel	Note.2	167	
Supplementary materials	Note.3	3,283	3,042
Energy and power supplies	Note.4	1,646	1,748
Support service	Note.5	6,409	5,871
Total	–	30,782	27,096

11.5.1.2 Related-party transactions on Sales of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Product	Note.6	2,502	3,406
Scrap steel and material	Note.6	240	330
General services	Note.7	1,019	1,045
Powder mine	Note.8		80
Total	–	3,761	4,861

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Ansteel Group Corporation Limited (Continued)

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

Notes: 1. The iron ore concentrate purchase price is not higher than Not higher than the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the preceding month (T-1) plus the freight cost from Bayuquan port to the Company. Price adjustments for mineral grades shall be made to the price in accordance with iron content calculated based on the average value of Platts Fe 65% index for the preceding month (T-1). Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 65% index for the preceding month (T-1) shall be applied. The pellets ore is measured at market price. The price of iron concentrate plus the processing costs for the preceding month (T-1) (in particular such processing costs shall not be higher than the processing costs of the products of the same category produced by the Company). The price of Premium products of Mineral ore from Karara Mining Limited ((iron grade \geq 67.2%) is not higher than the market price. The sales volume of premium products of Mineral ore made by Karara Mining Limited to independent third parties in Mainland China shall not be less than 30% of the total sales volume of premium products of Karara Mining Limited for a given period. The price of Standard grade products of (67.2% $>$ iron grade \geq 65%) made by Karara Mining Limited is calculated based on the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin plus the freight cost differential for each dry metric ton from Qingdao port to Bayuquan port, Liaoning, divided by 65 and multiplied by the actual product grade. The price of Low grade products (65% $>$ iron grade \geq 59%) made by Karara Mining Limited is calculated based on the monthly average value of the medium price of Platts Fe 62% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin plus the freight cost differential for each dry metric ton from Qingdao port to Bayuquan port, Liaoning, divided by 62 and multiplied by the actual product grade. Scrap, billets, alloys and non-ferrous metal are purchased at market prices;

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Ansteel Group Corporation Limited (Continued)

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

Note: 2. The steel products are determined according to the price of the sales of Angang Steel to third parties after deducting the commission fee of RMB20–35/ton.

Note: 3. The purchasing prices of ancillary materials are not higher than the average prices charged to independent customers.

Note: 4. Mainly at state prices, or operating costs plus 5% of gross profit margin.

Note: 5. At state-fixed prices, or market prices, or not higher than 1.5% of the commissions (commission fee of raw fuel is RMB5/ton) or depreciation fees and maintenance costs, or labor, materials and management fees, or processing costs plus no more than 5% of the gross margin.

Note: 6. Steel products, molten iron and coke 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. Retired and idle assets are mainly measured at market prices or assessing prices.

Note: 7. At the state prices, or operating costs plus 5% of gross profit margin, not higher than 1.5% of the commissions, or market prices

Note: 8. At the purchase cost plus port charges.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

11.5.2 Related-party transactions with Pangang steel Vanadium and Titanium Co., Ltd

11.5.2.1 Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Raw materials	Market price	308	431
Total	–	308	431

11.5.3 Other related-party transactions

For this period, the amount of domestic and export sales agent service provided Angang Trade were 1.8 million tons respectively (1.34 million tons respectively for last period).

11.5.4 Loan, deposit and interest payment to Angang Finance

Items	Annual interest rate	Opening balance	Increment	Decrement	Closing balance	Terms of credit
Loans	4.35	590		590		Credit loan
Deposit		1,669	270,036	268,242	3,463	

In this period, the Group's interest income of deposit in Angang Finance was RMB33 million (for the last period: RMB24 million) and the interest expenditure for loans(including discount)from Angang finance was RMB61 million (for the last period: RMB18 million). The highest daily deposit of the Group in Angang Finance in this period was RMB3,480 million (for the last period: RMB2,637 million, If the impact of the merger under the same control is not restated, RMB1,999 million instead).

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

11.5.5 Guarantee of loans

Warrantor	Warrantee	Amount Guarantee	Starting date	Expiring date	Whether the guarantee has been fulfilled
Ansteel Group Corporation Limited	The Company	500	24 May 2018	23 May 2019	Yes
Ansteel Group Corporation Limited	The Company	500	28 May 2018	27 May 2019	Yes

11.5.6 Related-party transactions with the joint ventures and the associates:

A. Statement of purchasing products

Name of enterprise	This period	Last period
ANSC-TKS	166	693
Total	166	693

B. Statement of selling products

Name of enterprise	This period	Last period
ANSC-TKS	3,339	3,747
Angang Guangzhou Automobile Steel Co., Ltd.	469	415
Anshan Jingu	15	405
Iron oxide powder company		16
FAW Angang		25
Total	3,823	4,608

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

11.5.7 Remuneration of the directors, supervisors and senior management

Items	This period	Last period
Directors' fee	0.44	0.37
Other remuneration :	6.98	6.91
Including: Salaries, allowances and non-cash	5.28	5.08
Performance-related bonus		
Other insurance and benefits	0.83	0.82
Pension plan contributions	0.87	1.01
Total	7.42	7.28

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

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

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

Name	This period					Total
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits	Pension plan contributions	
Executive directors:						
Li Zhen		1.16		0.18	0.19	1.53
Ma Lianyong		0.9		0.14	0.15	1.19
Xie Junyong (has now left)		0.9		0.14	0.15	1.19
Subtotal for executive directors		2.96		0.46	0.49	3.91
Independent non-executive directors:						
Wu Dajun	0.12					0.12
Ma Weiguo	0.12					0.12
Feng Changli	0.12					0.12
Wang Jianhua	0.08					0.08
Subtotal for Independent non-executive directors	0.44					0.44
Supervisors:						
Yuan Peng		0.53		0.09	0.09	0.71
Subtotal for Supervisors		0.53		0.09	0.09	0.71
Senior Management:						
Xu Shishuai		0.89		0.14	0.14	1.17
Meng Jingsong		0.9		0.14	0.15	1.19
Subtotal for Senior management		1.79		0.28	0.29	2.36
Total	0.44	5.28		0.83	0.87	7.42

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

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

Name	Last period					Total
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits	Pension plan contributions	
Executive directors:						
Li Zhen		0.86		0.14	0.17	1.17
Ma Lianyong		0.65		0.11	0.13	0.89
Xie Junyong		0.67		0.11	0.13	0.91
Li Zhongwu (has now left)		0.08		0.01	0.02	0.11
Subtotal for executive directors		2.26		0.37	0.45	3.08
Independent non-executive directors:						
Wu Dajun	0.12					0.12
Ma Weiguo	0.12					0.12
Feng Changli	0.07					0.07
Luo Yucheng (has now left)	0.06					0.06
Subtotal for Independent non-executive directors	0.37					0.37
Supervisors:						
Yuan Peng		0.52		0.09	0.1	0.71
Subtotal for Supervisors		0.52		0.09	0.1	0.71
Senior Management:						
Xu Shishuai		1.16		0.18	0.23	1.57
Meng Jinsong		1.14		0.18	0.23	1.55
Subtotal for Senior management		2.3		0.36	0.46	3.12
Total	0.37	5.08		0.82	1.01	7.28

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.5 Related-party transactions (Continued)

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

Note 1: There is no agreement for a director, supervisor and senior management to waive or agree to waive this year's remuneration.

Note 2: The remuneration of Executive Director Wang Yidong during his tenure is paid by Ansteel Group Co. Ltd. For Lu Yongli, Chairman of the Supervisory Board, Supervisor Liu Xiaohui and Lin Daqing, former Chairman of the Supervisory Board, the remuneration during their tenure is also paid by Ansteel Group Co. Ltd. For senior manager Mr. Li Zhongwu, who was appointed as the deputy general manager of the Company on December 30, 2019, his previous remuneration was paid by Pangang Group Co., Ltd.

Note 3: Since December 27, 2019, Mr. Xie Junyong resigned as the company's deputy general manager, executive director, member of the board's remuneration and appraisal committee, and no longer holds any position in the company.

The top five employees with the highest remuneration this year included 3 directors and 2 senior managers (3 directors and 2 senior managers for the last period), and whose payment are set out in detail above.

11.5.8 Continuing related-party transactions

The related-party transactions disclosed in Note 11.5.1–11.5.4 also constitute connected transactions or continuing connected transactions defined in Chapter 14A of the Hong Kong Listing Rules.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.6 Balances of related-party transactions

11.6.1 Accounts receivable

Items	Related party	31 December	31 December
		2019	2018
Accounts receivable	Angang Group Corporation Limited	8	46
Accounts receivable	ANSC-TKS	12	11
Accounts receivable	Guangzhou automotive steel		1
Accounts receivable	Angang Trade	556	508
Accounts receivable	Angang Cast Steel Co., Ltd	32	55
Accounts receivable	Angang Steel Rope Co., Ltd	69	54
Accounts receivable	Angang Engineering Technology Development Co., Ltd	15	137
Accounts receivable	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd		1
Accounts receivable	Angang Mining Co.,Ltd	1	2
Accounts receivable	Pangang Group Xichang Steel and Vanadium Co., Ltd.	1	2
Accounts receivable	Angang Weifang		5
Accounts receivable	Angang Group Information Industry Co., Ltd	5	4
Accounts receivable	Other Related Parties	1	1
Total		700	827

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.1 Accounts receivable (Continued)

Items	Related party	31 December 2019	31 December 2018
Other receivables	Guangzhou Automotive Steel		33
Other receivables	Other Related Parties	1	
Total		1	33
Prepayment	ANSC-TKS	1	17
Prepayment	Guangzhou Automotive Steel	22	39
Prepayment	Angang Trade	2,299	443
Prepayment	Angang Engineering Technology Development Co., Ltd	14	3
Prepayment	Angang Group Information Industry Co., Ltd		3
Prepayment	Angang Cold Rolled Steel Plate Co., Ltd. Putian		26
Prepayment	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	18	9
Prepayment	Germany's neighboring Lugang (Anshan) Co., Ltd.	40	30

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.1 Accounts receivable (Continued)

Items	Related party	31 December 2019	31 December 2018
Prepayment	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	1	2
Prepayment	Angang Auto Transport Co., Ltd	5	3
Prepayment	Angang Group Beijing Research Institute Co., Ltd.	39	
Prepayment	Pangang Trade	9	
Prepayment	Other Related Parties	1	
Total		2,449	576

Note: No provision for bad debts has been made for creditor's rights.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable

Items	Related party	31 December	31 December
		2019	2018
Accounts payable	Angang Group Corporation Limited	16	20
Accounts payable	ANSC-TKS	107	103
Accounts payable	ANSC – Dachuan	38	42
Accounts payable	Nansha Logistical	4	
Accounts payable	Anshan Jingu		4
Accounts payable	Falan Packing	11	10
Accounts payable	Ansteel Group Co., Ltd.	1	
Accounts payable	Angang Steel Rope Co., Ltd	10	3
Accounts payable	Angang House Property Construction	3	11
Accounts payable	Angang Engineering Technology Development Co., Ltd	104	96
Accounts payable	Anshan Iron and Steel Group Corporation Labor Health Research Institute		4
Accounts payable	Angang Trade	327	2,190
Accounts payable	Angang Auto Transport Co., Ltd	6	9
Accounts payable	Angang Group Zhongyuan Industry Development Co., Ltd.	66	79
Accounts payable	Anshan Yingkou Harbor co., Ltd		2
Accounts payable	Angang Cast Steel Co., Ltd	2	4

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	31 December 2019	31 December 2018
Accounts payable	Angang Refractory Co., Ltd	2	10
Accounts payable	Germany's neighboring Lugang (Anshan) Co., Ltd.	163	48
Accounts payable	Pangang Trade	39	15
Accounts payable	Pangang Group Iron and Vanadium Titanium Resources Co. Ltd	6	113
Accounts payable	Angang Mining	20	29
Accounts payable	Angang Group Information Industry Co., Ltd	36	39
Accounts payable	AngangBeckerini Water Treatment Co., Ltd.	5	
Accounts payable	Angang Cold Rolled Steel Plate Co., Ltd. Putian	38	
Accounts payable	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	1	
Accounts payable	Anshan Iron and Steel Metallurgical Furnace Technology Co., Ltd	376	120
Accounts payable	Other Related Parties		1
Total		1,381	2,952

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	31 December	31 December
		2019	2018
Other payable	Angang Group Corporation Limited	1	81
Other payable	Angang Group Zhongyuan Industry Development Co., Ltd.	46	28
Other payable	Angang House Property Construction	2	4
Other payable	Angang Engineering Technology Development Co., Ltd	306	228
Other payable	Angang Trade	7	5
Other payable	Angang Group Information Industry Co., Ltd	109	121
Other payable	Angang Mining	9	12
Other payable	Angang Auto Transport Co., Ltd		2
Other payable	Anshan Iron and Steel Group Construction Supervision Co., Ltd.	1	2
Other payable	Germany's neighboring Lugang (Anshan) Co., Ltd.	9	6
Other payable	Angang Engineering Technology Co., Ltd	3	3

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	31 December 2019	31 December 2018
Other payable	AngangBeckerini Water Treatment Co., Ltd.	13	
Other payable	Angang Steel Rope Co., LT	2	
Other payable	Anshan Iron and Steel Group Corporation Labor Health Research Institute	1	
Other payable	Angang Refractory Co., Ltd	1	
Other payable	Anshan Iron and Steel Metallurgical Furnace Technology Co., Ltd	3	5
Total		513	497

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	31 December 2019	31 December 2018
Contract liabilities	ANSC-TKS	62	18
Contract liabilities	Guangzhou Automotive Steel	4	17
Contract liabilities	Anshan Jingu		12
Contract liabilities	Anshan Jidong Cement Co., Ltd	1	1
Contract liabilities	Falan Packing	5	8
Contract liabilities	Angang Engineering Technology Development Co., Lt	18	21
Contract liabilities	Angang Group Zhongyuan Industry Development Co., Ltd.	38	77
Contract liabilities	Pangang Trade	4	10
Contract liabilities	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	3	3
Contract liabilities	Angang Trade	7	40
Contract liabilities	Angang Mining	3	9
Contract liabilities	Angang Refractory Co., Ltd		1
Contract liabilities	Germany's neighboring Lugang (Anshan) Co., Ltd.	168	198
Contract liabilities	Nansha Logistical	83	
Contract liabilities	Other Related Parties	1	1
Total		397	416

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.3 Other non-current assets

Items	Related party	31 December 2019	31 December 2018
Other non-current assets	Angang Engineering Technology Development Co., Ltd	240	293
Other non-current assets	Angang Trade	270	337
Other non-current assets	Angang Group Information Industry Co., Ltd	40	42
Total		550	672

12. SHARE-BASED PAYMENT

As of 31 December 2019, there is no share-based payment transaction need to be disclosed.

13. COMMITMENTS

13.1 Significant commitment

Items	31 December 2019	31 December 2018
Investment contracts entered but not yet performed or performed partially	83	
Construction and renovation contracts entered but not yet performed or performed partially	2,370	2,977
Total	2,453	2,977

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

13. COMMITMENTS (Continued)

13.2 Contingencies

As of 31 December 2019, there were no contingencies need to be disclosed.

14. SUBSEQUENT EVENTS

Since the outbreak of Novel coronavirus pneumonia in January 2020, the corresponding prevention and control work is continuing nationwide. The company's main production and operation are in Liaoning Province and have been normal during the epidemic. Individual subsidiaries that were suspended due to the epidemic have now resumed production. The Group will continue to pay close attention to the development of Novel coronavirus pneumonia, assess and actively respond to its impact on the financial position and operating results of the Group. As of the publication date of this report, the assessment is still in progress.

15. OTHER SIGNIFICANT INSTRUCTIONS

In the process of selling goods, part of the Company's payments are made by way of bank acceptance notes issued by financial companies. As of 31 December 2019, the unpaid amount of overdue bank acceptance notes was RMB957 million (which has been transferred to accounts receivable and the net amount after deducting property preservation was RMB817 million). For relevant disclosure, please refer to Note 6.3.4, Note 6.4.2. After the occurrence of the delayed payment, the company has adopted various correspondingly counteractions. Firstly, the company has completed the legal proceedings against the parties concerned, to urge them to pay the relevant overdue notes as soon as possible. Secondly, the letters of repayment commitment from remote-holder customers of the notes and relevant financial institutions issuing the bank acceptance notes has been obtained; Thirdly, the management has initiated rounds of discussions on the asset mortgage solution with the parties concerned. At the present time, some of these procedures have been finished as scheduled. The Company will also conduct the previous due diligence and investigation on remaining mortgage assets at an early date; Last but not least, risk control system has been improved to strictly control notes risk.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

16.1 Accounts Receivable

16.1.1 Classification of Accounts Receivable

Items	31 December 2019				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,024	32.34	404	39.45	620
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	2,142	67.66	2	0.09	2,140
Risk group combination on the basis of aging-matrix	444	14.03	2	0.45	442
Total	3,166	100.00	406	12.82	2,760

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.1 Accounts Receivable (Continued)

16.1.1 Classification of Accounts Receivable (Continued)

Items	31 December 2018				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	68	2.06	67	98.53	1
Account receivable for which bad debt is prepared based on group combination	3,238	97.94			3,238
including: Risk-free group combination	2,231	67.49			2,231
Risk group combination on the basis of aging-matrix	1,007	30.45			1,007
Total	3,306	100.00	67	2.03	3,239

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.1 Accounts Receivable (Continued)

16.1.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	31 December 2019			
	Book Value	Bad Debt Provision	Percentage (%)	reason
A financial Co., Ltd	605	306	50.58	Notes overdue
B financial Co., Ltd	269	19	7.06	Notes overdue
C financial Co., Ltd	83	13	15.66	Notes overdue
Anshan Zhongyou Tianbao Steel Tube Co., Ltd.	67	66	98.51	Business is in trouble. It does not have repayment ability
Total	1,024	404	-	-

16.1.3 Accounts Receivable for which bad debts prepared based on aging-matrix risk group combination

Aging	31 December 2019			31 December 2018		
	Book Value	Bad Debt Provision	Percentage (%)	Book Value	Bad Debt Provision	Percentage (%)
Within 1 year	440			1,002		
1 to 2 years			28.8	5		3.2
2 to 3 years	4	2	44.9			9.9
3 to 4 years			67.3			28.9
4 to 5 years			67.3			37.7
Over 5 years			100.0			100.0
Total	444	2	-	1,007		-

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.1 Accounts Receivable (Continued)

16.1.4 Accounts Receivable classified by aging

Aging	31 December 2019	31 December 2018
Within 1 year	3,036	3,181
1 to 2 years	15	17
2 to 3 years	14	16
3 to 4 years	16	17
4 to 5 years	17	74
Over 5 years	68	1
Total	3,166	3,306

Note: In the above analysis, the aging of accounts receivable (RMB957 million in total) transferred from overdue notes receivable is calculated from the transfer date. The aging is within 1 year. Meanwhile, rest of accounts receivable is based on the invoice date.

16.1.5 Bad debt provision at the end of the period

Type	31 December 2018	Increase/Decrease			31 December 2019
		Bad debt provision	Reverse	Resale or verification	
Accounts receivable	67	344		5	406

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.1 Accounts Receivable (Continued)

16.1.6 Accounts receivable written off this period

Items	Amount
Anshan Iron and Steel Processing and Distribution (Weifang) Co., Ltd. ("Angang Weifang")	4
Other	1
Total	5

The written off information of the important accounts receivable:

Name	Nature of accounts receivable	Written off	Reason	Write-off procedure	Whether the money was generated by a related-party transaction
Angang Weifang	Payment for goods sold	4	The subsidiary has been cancelled	Board resolution	Yes
Total	-	4	-	-	-

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.1 Accounts Receivable (Continued)

16.1.7 The condition of accounts receivable of the top five debtors by the balances at the end of the period

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB2,176 million as of 31 December 2019, which accounted for 68.71% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB325 million at 31 December 2019.

16.1.8 Accounts receivable derecognized resulting from transfer of financial assets.

As of December 31, 2019, the company obtained RMB796 million through a non-recourse factoring agreement in exchange for RMB888 million of accounts receivable. The difference resulting from derecognition was included in the financial expenses. For details please refer to Notes 9.4.

16.2 Other receivables

Items	31 December 2019	31 December 2018
Dividends receivable	12	
Other receivables	191	46
Total	203	46

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.2 Other receivables (Continued)

16.2.1 Dividends receivable

Items	31 December 2019	31 December 2018
FAW Angang	12	
Total	12	

16.2.2 Other receivables

16.2.2.1 Classification of other receivables

Items	31 December 2019				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination including: Risk-free group combination	192	100.00	1	0.52	191
Risk group combination on the basis of aging-matrix	93	48.44			93
Total	99	51.56	1	1.01	98
Total	192	100.00	1	0.52	191

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.2 Other receivables (Continued)

16.2.2. Other receivables (Continued)

16.2.2.1 Classification of other receivables (Continued)

Items	31 December 2018				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination	51	100.00	5	9.80	46
including: Risk-free group combination	33	64.71			33
Risk group combination on the basis of aging-matrix	18	35.29	5	27.78	13
Total	51	100.00	5	9.80	46

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.2 Other receivables (Continued)

16.2.2. Other receivables (Continued)

16.2.2.2 Other receivables classified by nature

Type	31 December 2019	31 December 2018
Petty cash	4	13
Angang Guangzhou Automobile Steel Co., Ltd. loans		33
Loan to the subsidiary	56	
Subsidiary lease fee	37	
The remaining factoring receivable	92	
Others	3	5
Total	192	51

16.2.2.3 Other receivables classified by aging

Aging	31 December 2019	31 December 2018
Within 1 year	178	38
1 to 2 years	10	1
2 to 3 years	1	7
3 to 4 years	3	
4 to 5 years		
Over 5 years		5
Total	192	51

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.2 Other receivables (Continued)

16.2.2. Other receivables (Continued)

16.2.2.4 The recognition of bad debt provision

	The first stage Expected credit losses within the next 12 months	The second stage Expected credit losses for the entire duration of the period (no credit impairment)	The third stage Expected credit losses for the entire duration of the period (credit impairment has occurred)	Total
Balance at 1 January 2019		5		5
Bad debt provision				
Reverse		4		4
Resale or verification				
Write off				
Other changes				
Balance at 31 December 2019		1		1

16.2.2.5 Bad debt provision at the end of the period

Type	31 December 2018	Increase/Decrease		Resale or verification	31 December 2019
		Increase/ Decrease	Reverse		
Other receivables	5		4		1

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.2 Other receivables (Continued)

16.2.2. Other receivables (Continued)

16.2.2.6 The condition of other receivables of the top five debtors by the balances at the end of the period

The total amount of top five other receivables according to closing balance of debtors of the Group for the year was RMB185 million, which accounted for 96.35% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to 0.

16.3 Long-term equity investment

16.3.1 Long-term equity investment

The invested entity	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	8,624		8,624	8,506		8,506
Investments in joint ventures and associates	2,859		2,859	2,769		2,769
Total	11,483		11,483	11,275		11,275

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.3 Long-term equity investment (Continued)

16.3.2 Investments in subsidiaries

Investments in subsidiaries	31 December 2018	Increment	Decrement	31 December 2019	Provision for impairment	The closing date of provision for impairment
Angang Wuhan	237			237		
Angang Hefei	102			102		
Angang Guangzhou	90			90		
Shenyang Trade	121			121		
Shanghai Trade	103			103		
Tianjin Trade	103			103		
Guangzhou Trade	115			115		
Angang Shenyang	151			151		
Angang Tianjin	27			27		
Angang Dalian	266			266		
Ningbo Trade	6			6		
yantai Trade	100			100		
Angang Kobelco	357			357		
ASPD-CC	332	118		450		
Technology and Development	50			50		
Angang Zhengzhou	149			149		
Angang Chaoyang	3,545			3,545		
Energy and Technology	33			33		
Chemical Technology	2,500			2,500		
FAW Angang	119			119		
Total	8,506	118		8,624		

16.3.3 Investments for the joint ventures and associates

Please refer to Note6.9(except for Zhong'an Water).

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.4 Operating income and operating cost

16.4.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	98,251	91,752	95,359	81,006
Other operating	392	260	299	272
Total	98,643	92,012	95,658	81,278

Note: The Group is classified into an operating segment based on the type of business: production and sale of steel products.

16.4.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	91,567	89,872
Foreign exchange income from outside borders	7,076	5,786
Total	98,643	95,658

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (Continued)

16.4 Operating income and operating cost (Continued)

16.4.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirm at a certain point	98,643	95,658
Total	98,643	95,658

16.5 Investment income

Items	This period	Last period
Long-term equity investment income measured at cost method	323	43
Long-term equity investment income measured at equity method	181	284
Investment income of other investments in equity instruments	9	9
Others	(25)	15
Total	488	351

17. NET CURRENT ASSETS

Items	31 December 2019	31 December 2018
Current assets	23,492	26,908
Less : Current liabilities	29,341	32,747
Net current assets/(liabilities)	(5,849)	(5,839)

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

18. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	31 December 2019	31 December 2018
Total assets	87,808	90,024
Less: Current liabilities	29,341	32,747
Total assets less current liabilities	58,467	57,277

19. SUPPLEMENTARY DOCUMENTS

19.1 Non-recurring gains and losses

Items	This period	Last period
Gains/losses from disposal of non-current assets	(54)	(103)
Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies	83	86
Net profit or loss of the subsidiary from business combination under the same control between the beginning of the financial year and the merger date		1,268
Gain or loss from the changes of fair value of financial assets held for trade	3	(5)
Changes in fair value of other non-current liabilities (embedded in derivative financial instruments)	60	68
Step-by-step realization of mergers under non-identical control, income from re-measurement of original equity at fair value		(22)
Consolidation under non-identical control in a step-by-step manner, the consolidated capital is less than the gain from the fair value of the identifiable net assets of the investee when the investment is acquired.		26
Disposal of investment income from subsidiaries		2
Other non-operating income/loss not listed above	3	17
Subtotal	95	1,337
Less: Effect on taxation	24	17
Effect on minority interest (after tax)		1
Total	71	1,319

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

19. SUPPLEMENTARY DOCUMENTS (Continued)

19.1 Non-recurring gains and losses (Continued)

The Company's confirmation of non-recurring profit and loss items is carried out in accordance with the provisions of the Interpretive Announcement No. 1 of the Company Information Disclosure of Public Offering Securities – Non-recurring Gains and Losses (CSRC Announcement [2008] No. 43).

19.2 Return on equity (ROE) and Earnings per Share (EPS)

Profit in this period	Weighted average(ROE) (%)	EPS(Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	3.43	0.190	0.187
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	3.30	0.182	0.179

The above data is calculated using the following formula:

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

19. SUPPLEMENTARY DOCUMENTS (Continued)

19.2 Return on equity (ROE) and Earnings per Share (EPS) (Continued)

19.2.1 Weighted average return on equity

$$\text{Weighted average return on equity} = \frac{P_0}{(E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)}$$

P_0 corresponds to the net profit attributable to the ordinary shareholders of the company and the net profit attributable to the ordinary shareholders of the company after deducting non-recurring gains and losses; NP corresponds to the net profit attributable to the company's common shareholders; E_0 corresponds to the net assets at the beginning of the period attributable to the ordinary shareholders of the company; E_i corresponds to the newly added net assets attributable to ordinary shareholders of the company, such as new shares or debt-to-equity swaps during the reporting period; E_j corresponds to the net assets attributable to ordinary shareholders of the company, such as repurchase or cash dividends during the reporting period; M_0 corresponds to the number of months in the reporting period; M_i corresponds to the cumulative number of months from the next month of the new net assets to the end of the reporting period; M_j is the cumulative number of months from the second month of the net assets reduction to the end of the reporting period; E_k corresponds to the change or decrease in net assets attributable to ordinary shareholders of the company due to other transactions or events; M_k corresponds to the cumulative number of months from the next month of the change in other net assets to the end of the reporting period.

Notes to the Financial Statements (Continued)

For the year 2019 (Expressed in million RMB unless otherwise indicated)

19. SUPPLEMENTARY DOCUMENTS (Continued)

19.2 Return on equity (ROE) and Earnings per Share (EPS) (Continued)

19.2.2 Basic earnings per share

$$\text{Basic earnings per share} = P_0 \div S, S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

P_0 corresponds to the net profit attributable to ordinary shareholders of the company or net profit attributable to ordinary shareholders after deducting non-recurring gains and losses; S corresponds to the weighted average number of ordinary shares outstanding; S_0 corresponds to the total number of shares at the beginning of the period; S_1 is the increase in the number of shares due to the conversion of public reserve funds into share capital or stock dividends during the reporting period; S_i refers to increasing the number of shares due to the issuance of new shares or debt-to-equity swaps during the reporting period; S_j refers to the number of shares reduced due to repurchase during the reporting period; S_k refers to the number of share compressing in the report period; M_0 corresponds to the number of months in the reporting period; M_i corresponds to the cumulative number of months from the next month of the new net assets to the end of the reporting period; M_j is the cumulative number of months from the second month of the net assets reduction to the end of the reporting period.

19.2.3 Diluted earnings per share

$$\text{Diluted earnings per share} = P_1 / (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{Weighted average number of common shares increased by warrants, share options, convertible bonds, etc.})$$

P_1 refers to the net profit attributable to the ordinary shareholders of the company or the net profit attributable to the ordinary shareholders of the company after deducting non-recurring gains and losses, and considering the impact of dilutive potential ordinary shares, adjusted according to the ASBE and relevant regulations. In calculating the diluted earnings per share, the company should consider the effect of all dilutive potential ordinary shares on the net profit attributable to the company's common shareholders or the net profit attributable to the company's common shareholders and the weighted average number of shares after deducting non-recurring gains and losses. Diluted earnings per share are included in descending order of dilution until the diluted earnings per share reaches a minimum.

Five-Year Summary

Unit: RMB million

	2019	2018	2017	2016	2015
Operating income	105,587	105,157	91,683	62,599	51,534
Net profit for the period (“-” for losses)	1,760	7,952	6,645	1,708	-4,597
Total assets	87,808	90,024	94,886	93,127	86,244
Total liabilities	35,260	37,559	42,174	49,068	42,833
Total shareholders' equity	52,548	52,465	52,712	44,059	43,411

Other Relevant Corporate Information

INCORPORATION:

Organization code	The uniform social credit code of the Company was 912100002426694799
Changes in the main business of the Company since the Company's Listing	None during the reporting period
Changes of the Controlling Shareholder of the Company	None

AUDITOR:

Name of auditor	ShineWing Certified Public Accountants (Special General Partnership)
Place of business of auditor	10/F, Block 8, Fuhua Mansion, No.8 Chaoyangmen Beidajie, Dongcheng District, Beijing, China Fan Jianping and Fu Yangyi

BUSINESS ADDRESS OF THE COMPANY IN HONG KONG:

33/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

Definitions

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

“Company” or “Angang Steel”	Angang Steel Company Limited* (鞍鋼股份有限公司)
“Group”	Angang Steel Company Limited* and its subsidiaries
“Angang Holding”	Anshan Iron & Steel Co. Ltd* (鞍山鋼鐵集團有限公司), the controlling shareholder of the Company
“Anshan Iron & Steel Group Complex”	Angang Holding and the companies in which it holds 30% or above interests (not including the Group)
“Angang”	Angang Group Company Limited* (鞍鋼集團有限公司), the ultimate controlling shareholder of the Company
“Angang Group”	Angang and the companies held by it as to 30% or more (excluding the Group)
“Angang Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
“Karara”	Karara Mining Limited (卡拉拉礦業有限公司*)
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團釩鈦資源股份有限公司)
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries
“Supply of Materials and Services Agreement (2019–2021)”	the Supply of Materials and Services Agreement (2019–2021) entered into between the Company and Angang, which was approved at the third extraordinary general meeting of the Company in 2018 on 18 December 2018
“Supply of Materials Agreement (2019–2021)”	the Supply of Materials Agreement (2019–2021) entered into between the Company and Pangang Vanadium & Titanium, which was approved at the third extraordinary general meeting of the Company in 2018 on 18 December 2018
“Financial Service Agreement (2019-2021)”	the Financial Service Agreement (2019-2021) entered into between the Company and Angang Financial Company, which was approved at the third extraordinary general meeting of the Company in 2018 on 18 December 2018

Definitions (Continued)

“Continuing Connected Transaction Agreements”	collectively, the Supply of Materials and Services Agreement (2019-2021), the Supply of Materials Agreement (2019-2021) and the Financial Service Agreement (2019-2021)
“Bayuquan Iron & Steel Branch Company”	Bayuquan Iron & Steel Branch Company* of Angang Steel (鞍鋼股份鮫魚圈鋼鐵分公司)
“Chaoyang Iron and Steel”	Angang Group Chaoyang Iron and Steel Co., Ltd.* (鞍鋼集團朝陽鋼鐵有限公司)
“Chemical Technology”	Angang Chemical Technology Co., Ltd.* (鞍鋼化學科技有限公司)
“Energy Technology”	Angang Energy Technology Co., Ltd.* (鞍鋼能源科技有限公司)
“ASPD-CC”	Angang Steel Processing and Distribution (Changchun) Co., Ltd.* (鞍鋼鋼材加工配送(長春)有限公司)
“ASPD-HZ”	Angang Steel Processing and Distribution (Hangzhou) Limited* (鞍鋼鋼材加工配送(杭州)有限公司)
“Angang International Trade”	Angang Group International Economic and Trade Co., Ltd.* (鞍鋼集團國際經濟貿易有限公司)
“Angang Beijing Research Institute”	Angang Group Beijing Research Institute Co., Ltd.* (鞍鋼集團北京研究院有限公司)
“Delin Zhilian”	Delin Zhilian (Anshan) Co., Ltd.* (德鄰智聯(鞍山)有限公司)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region)
“CSRC”	China Securities Regulatory Commission

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 China Securities Journal and Securities Times in 2019;
4. Annual report of the Company disclosed in the Hong Kong stock market;
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.

Angang Steel Company Limited*
The Board

27 March 2020

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*