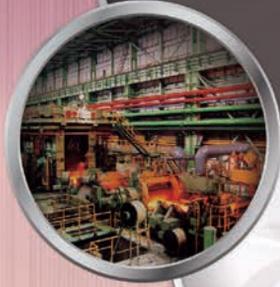




鞍 鋼 股 份 有 限 公 司  
ANGANG STEEL COMPANY LIMITED\*

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

Stock Code: 00347



2020  
Interim Report

\* For identification purposes only



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# Important Notice and Definitions

## IMPORTANT NOTICE

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

Mr. Wang Yidong, the Chairman of the Company, Mr. Ma Lianyong, Chief Accountant and the person-in-charge of accounting as well as Mr. Gong Jin, person in charge of the accounting institution guarantee the truthfulness, accuracy and completeness of the financial statements in this interim report.

The 2020 interim financial report of the Company is unaudited.

The 2020 interim financial report of the Company is prepared in accordance with the Accounting Standards for Business Enterprises of the PRC.

## DEFINITIONS

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

<b>Term</b>	<b>Meaning</b>
“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 (excluding the Group)

## Important Notice and Definitions (Continued)

“Angang”	Angang Group Company Limited* (鞍鋼集團有限公司), the de facto controller of the Company
“Angang Group”	Angang and the companies in which it holds 30% or above interests (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 Group, which was considered and 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 considered and 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 considered and approved at the third extraordinary general meeting of the Company in 2018 on 18 December 2018

## Important Notice and 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 Branch Company”	Bayuquan Iron & Steel Branch Company* (鮫魚圈鋼鐵分公司) of Angang Steel
“Chaoyang Iron and Steel”	Angang Group Chaoyang Iron and Steel Co., Ltd.* (鞍鋼集團朝陽鋼鐵有限公司)
“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)
“Delin Zhilian”	Delin Zhilian (Anshan) Co., Ltd.*(德鄰智聯(鞍山)有限公司)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Reporting Period”	1 January 2020 to 30 June 2020

## I. CORPORATE INFORMATION

Stock Exchange of Listing	Shenzhen Stock Exchange		
Stock Abbreviation	Angang Steel	Stock Code	(A share) 000898
Stock Exchange of Listing	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		

## II. CONTACT PERSONS AND CONTACT METHODS

	<b>Joint Company Secretary</b>		<b>Securities Affairs Representative</b>
Name	Ma Lianyong	Chen Chun	Wang Congqing
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	40th Floor, Sunlight Tower, No. 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

# Corporate Profile (Continued)

## **III. OTHER INFORMATION**

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

There was no change in registered address, business address and postal code, website and email address of the Company during the Reporting Period. Please refer to the 2019 Annual Report of the Company for details.

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

There was no change in Company's designated newspapers for disclosure of information, website for publication of interim report designated by the CSRC and place for inspection of the Company's interim report during the Reporting Period. Please refer to the 2019 Annual Report of the Company for details.

### **3. Other relevant information**

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

# Summary of Accounting Figures and Financial Indicators

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

Unit: RMB million

	During the Reporting Period (from January to June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared with the corresponding period of the previous year (%)
Operating income	44,650	51,074	-12.58
Net profit attributable to the shareholders of the Company	500	1,425	-64.91
Net profit attributable to the shareholders of the Company after deduction of non-recurring gains or losses items	472	1,367	-65.47
Basic earnings per share (RMB/share)	0.053	0.152	-65.13
Diluted earnings per share (RMB/share)	0.053	0.146	-63.70
Returns on net assets on weighted average basis (%)	0.96%	2.70%	Decreased by 1.74 percentage points
Net cash flow from operating activities	4,779	3,765	26.93

	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared with the corresponding period of the previous year (%)
Total assets	89,836	87,808	2.31
Net assets attributable to the shareholders of the Company	52,093	52,079	0.03

Total share capital of the Company as at 27 August 2020:

Total share capital ( <i>shares</i> )	9,405,250,201
Fully diluted earnings per share calculated based on the latest share capital (RMB/share)	0.053

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

### II. NON-RECURRING ITEMS:

Unit: RMB million

Item	Amount	Explanation
Gains/losses from disposal of non-current assets (including the provision for impairment that has been written off)	-18	-
Government subsidies (except for government subsidies which are closely related to the Company's operations and received in fixed amount or quantity in conformity with the standards of the State) recorded into to gains or losses for the period	29	-
Changes in fair value of financial assets held for trading	-12	-
Changes in fair value of other non-current liabilities (part of derivative financial instruments)	41	-
Other non-operating income and expenses apart from those stated above	-3	-
Less: Effect on income tax	9	-
Total	28	-

Explanations for the Company's non-recurring gains and losses items as defined in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Gains or Losses, and the non-recurring gains and losses items as illustrated in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Gains or Losses which have been defined as its recurring gain or loss items.

Applicable       Not applicable

# Overview of the Company's Business

## I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

As a large national enterprise for manufacture and sales of iron and steel, the Company is principally engaged in ferrous metal smelting and steel pressing and processing as well as the sales of related products and provision of related services.

At present, the Company has a strategic domestic layout that is improving increasingly, and has three production bases in Anshan, Yingkou and Chaoyang, and processing, distribution or sales service agencies in Dalian, Shanghai, Tianjin, Guangzhou, Shenyang, Wuhan, Hefei and Zhengzhou, etc. and conducts international operations through Angang Group's overseas sales offices.

The Company possesses the comprehensive processes for production of iron and steel including coking, sintering, ironmaking, steel-making, steel rolling, railway transportation, energy power and ancillary facilities, and a relatively complete logistics, trade, steel processing service industry chain. The main facilities have reached modern advanced level. The production structure is diversified and it has a relatively complete production series, ranging from plates, pipes, sections, bars to wires, including hot rolled sheet, 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. 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 Company has bands with high popularity and reputation, and some of them, used for products such as railway steel, steel plates for containers and ship building plates, enjoy the title of "China Famous Brand Products". 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 and container have ranked among famous brand products. The Company's research and development on new types of steel products for vessel plate and railway steel rail as well as technologies for manufacture of steel rail has reached international advanced level. The technology for the series products of high strength thick pipeline 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.

# Overview of the Company's Business (Continued)

## II. MATERIAL CHANGES OF MAJOR ASSETS DURING THE REPORTING PERIOD

There was no material change in the major assets of the Company during the Reporting Period.

## III. ANALYSIS ON THE CORE COMPETITIVENESS

### 1. Product brand advantages

The Company's steel products are comprehensive in types and specifications and have certain differentiation advantages and its brand has high popularity and credibility. The products are sold to various regions in China and dozens of countries in the world, which are widely used in various downstream industries. It has a leading position in producing steel for shipbuilding and marine engineering, automotive steel plates, home appliance plates, container plates and heavy rails. Its railway steels, container steels and shipbuilding plates won the title of "China Famous Brand Products". Its 16 products including hot rolling pickling steel strip, cold rolling hot dip aluminized and galvanized plates and structural steel for bridges are awarded as "Gold Cup" high quality products, and 7 products such as the wire rods for steel cords are acknowledged as "Famous Brand in Liaoning". In terms of major certifications, the Company has obtained certification for more than 60 products, including certification and extended certification by classification societies from 9 countries for its ship plates products, JIS (Japan) certification for its medium-to-thick plates, hot-rolled and cold-rolled products, HPQ (Germany) certification for its bridge steel products, CRCC certification for its hot rolled corrosion-resistance products for the first time, certification by China Standardization Committee on Boilers and Pressure Vessels for its pressure vessel plates products, as well as certifications for its automobile steel products granted by vehicle enterprises and key users. The Company bravely shoulders the heavy responsibility to become the "Pillar of the Great China", its products are applied to the Hong Kong-Zhuhai-Macao Bridge, "Blue Whale I" drilling platform, "Hualong One" nuclear power project and other national key projects.

## III. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

### 2. Secured resources supply advantages

The areas of Anshan and its surrounding areas have abundant reserves of iron ore, providing strong secured supply of resources for the production and operation of the Company. 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 and iron ore concentrate of 22 million tons, which ranked the first in China and are in leading positions in the world. In addition, Angang Group also owns Karara iron ore base with annual output of 8 million tons overseas, and has relative strong international trading capacity of iron ore.

### 3. Technological innovation advantages

Angang Steel has mastered a number of core, leading, basic and cutting-edge key 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 project research and development, 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. Since the launch of, 13th Five-Year Plan, the Company has undertaken 52 national scientific research projects, researched and developed 65 leading technologies, added 1,613 new patents, launched 18 products and won 3 national first and second prizes for progress in science and technology.

# Overview of the Company's Business (Continued)

## III. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

### 3. Technological innovation advantages (Continued)

The Company's comprehensive research and development strength in products leads in the iron and steel industry. The TWIP1180HR hot coil and other new products produced by the full process technology were launched; the QP1400 cold rolled high-strength automobile steel plates made its world debut; extremely wide and thick steel plates and 90mm crack-resistant steel for ships were launched as the first in China; the longitudinal variable thickness weatherproof LP steels are exclusively used in batch in bridge engineering. The Group successfully 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. Technical and equipment management advantages

Low-cost blast furnace ironmaking technology, rapid selection technology of coking coal and converter ultra-pure steel production technology are among the best of the PRC. The technical equipment of 1,780mm, 2,150mm and 1,580mm hot rolling production line, cold rolling production line, wire rods 2# lines and universal lines and wide and thick plate production line have reached the domestic advanced level, while the self-integrated cold rolling wide strip production technology, self-developed, applied cold rolling mill shape control system core technology and wide and thick plate production technology have all reached the internationally advanced level.

### III. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

#### 4. Technical and equipment management advantages (Continued)

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. It has become a green model factory leading the development of steel industry in the world and a demonstration base for iron and steel enterprises to use clean energy. The 1,580mm 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 5,500mm thick plate production line is currently one of the largest wide and thick plate mills in the world.

Aiming at ultra-thin, low cost and high quality, Chaoyang Iron and Steel constantly improves the market-oriented system and mechanism, continuously promotes the cost reform and preliminarily forms the low-cost competitive advantage.

#### 5. Corporate culture advantages

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.

# Report of the Board of Directors

## I. OVERVIEW

Due to the global spread of the COVID-19 pandemic in the first half of the year, the world economy declined. As a result of the weakening demand in the domestic and overseas steel markets, iron ore prices remaining high and slumping steel exports, the steel price saw a decline. All these caused the significant decrease in the profitability of the steel industry. In the face of the severe external situation, the Group accurately identified changes and made scientific response to them and solidly advanced the prevention and control of the COVID-19 pandemic. Firmly focusing on the production and operation targets, the Group strived to maintain a stable output scale, vigorously promoted innovation and reform, sped up in the implementation of intelligent manufacturing and accelerated the pace of scientific and technological innovation to prevent operating risks.

In the first half of the year, the Group achieved operating income of RMB44,650 million, representing a decrease of 12.58% over the corresponding period of the previous year. The total profit reached RMB618 million, representing a decrease of 66.52% over the corresponding period of the previous year. The net profit attributable to shareholders of the Company was RMB500 million, representing a decrease of 64.91% over the corresponding period of the previous year. The basic earnings per share were RMB0.053, representing a decrease of 65.13% over the corresponding period of the previous year.

1. Its production and operation remained stable. In the face of the sudden outbreak of the COVID-19 pandemic, the Group coordinated the implementation of pandemic prevention and control measures and production and operation, studied, judged and actively responded to the situation, and strengthened production interaction among three production bases in Anshan, Yingkou and Chaoyang. The Group appropriately arranged overhauls of certain production lines and equipment and improved the status of equipment, achieving stable production. During the Reporting Period, the Group produced 12,647,900 tons of iron, representing a decrease of 2.53% over the corresponding period of the previous year; 12,591,700 tons of steel, representing a decrease of 8.07% over the corresponding period of the previous year; and 11,683,200 tons of rolled steel, representing a decrease of 8.31% over the corresponding period of the previous year. Sale of rolled steel amounted to 11,519,400 tons, representing a decrease of 7.64% as compared with the corresponding period of the previous year. The Group achieved a sales-output ratio of 98.60%.

# Report of the Board of Directors (Continued)

## I. OVERVIEW (CONTINUED)

2. The cost reform achieved remarkable results. With reference to the standards of leading enterprises in the industry, the Group deeply tapped into internal potentials and implemented cost control for the whole process as well as other measures, achieving remarkable results in cost reduction. Its unit iron cost indicator is quite competitive in the industry. The unit iron cost of Chaoyang Iron and Steel and Bayuquan Branch Company was at the leading level in the domestic iron and steel industry. Indicators such as the utilization coefficient of blast furnaces, the coke ratio of iron-smelting and the yield rate continued to improve. The Group optimized its procurement structure based on market changes to improve the resilience in the procurement work. It reasonably adjusted the procurement cycle and locked resources in advance, which effectively reduced its procurement cost. Systematic management and control was strengthened to reduce energy consumption. In the first half of the year, the cost of outsourcing energy, fresh water consumption for each ton of steel, the recycling of converter gas and the proportion of self-generated power of the Group reached the best level in history. Financing channels were continuously expanded and the financing cost was significantly reduced. In the first half of the year, the overall financing cost of the Group hit a record low and financial expenses decreased by RMB119 million or 19.16% year on year.

# Report of the Board of Directors (Continued)

## I. OVERVIEW (CONTINUED)

3. Its enterprise reform continued to be pushed forward. While focusing on the main line of the market-oriented reform, the Group improved the differentiated management and control system and delegated more powers and authorization. By focusing on the two key reform factors of “authorization + same benefits”, Chaoyang Iron and Steel’s reform achieved initial results, and cost competitiveness has been initially formed. Bayuquan Branch Company comprehensively promoted the reform of the operating mechanism, earnestly turning management responsibilities into drivers for performing responsibilities. Contractual management was deepened. The Group entered into contracts on contractual subcontracting operation with Chaoyang Iron and Steel, small production lines in large plants and other units. Marketing system reform was accelerated. The Group strengthened the separation of management and operation and established a price appraisal system with three points and four dimensions to highlight the incentive mechanism and stimulate the vitality of the marketing team; specified marketing strategies and regional positioning of the integrated construction to establish a strategic layout of domestic and overseas marketing; consolidated manufacturing, marketing, storage, logistics, terminal users and other industrial chains to effectively improve customer experience and strive to achieve intelligent marketing @ customers.

# Report of the Board of Directors (Continued)

## I. OVERVIEW (CONTINUED)

4. The Group's core competitiveness was steadily improved. In order to enhance the leading role of core technologies in the industry and the market competitiveness of strategic products and achieve the target of breaking technology "bottlenecks" and enhancing "knock-out products", the Group implemented special plans on improving quality and efficiency and shoring up weaknesses through technology. It signed target and task documents on 5 projects under the outstanding technology program. The Group increased research and development efforts and successfully developed the X80 low-temperature pipeline steel plates. It has completed production testing on high strength safety shell plates and the performance met the requirements on indicators. It actively conducted the layout of core patents. As at the end of June 2020, the Company owned a total of 3,104 valid patents, of which 1,573 were inventions, accounting for 50.7%. The Company owned a total of 5 overseas patents. It formed patent groups in key technical fields and completed core patent layouts in key sectors. Angang Steel was identified as one of the "First Batch of High-value Patent Cultivation Centers in Liaoning Province".
  
5. The pace of smart manufacturing was accelerating. The Group firmly followed its development strategy and focused on promoting intelligent operation and the construction of intelligent factories, drove the upgrading of traditional industries with the upgraded information technology and adapted to the new development of information technology and new concepts on information construction to improve the intelligent operation of the corporate value chain covering the full life cycle. In the first half of the year, the Group commenced 24 information projects with fixed assets investments, 7 projects on the construction of intelligent factories and 17 projects including the construction of the information system. The Group fully initiated the overall improvement program on management and information. It sped up in the construction of intelligent demonstration production lines and completed the set-up and commencement of the construction of 15 intelligent projects under 6 demonstration production lines.

# Report of the Board of Directors (Continued)

## I. OVERVIEW (CONTINUED)

6. The level of risk management was significantly improved. The Company established a concept of safety development and fully carried out special campaigns on “eliminating hidden hazards”, arranged all staff to participate in eliminating and rectifying hidden safety and fire hazards, which enhanced the construction of the safety management system and consolidated fundamental work on safety. It continued to carry out the “Thunderclap action” and achieved remarkable results in the comprehensive management system for public security. The Group held onto the bottom line of fund safety, strengthened the management of operating cash flow, optimized the receivable structure of the Company on sales and enhanced the connection among production, supply and sales, to improve the ability to obtain operating cash flow. In the first half of the year, the Group’s net cash flow from operating activities amounted to RMB4,779 million, representing a year-on-year increase of RMB1,014 million, which reflected its ability to generate capital being significant enhanced.
  
7. The construction of its ecological factories was promoted orderly. In the first half of the year, the Group firmly followed the concept that lucid waters and lush mountains are invaluable assets, actively fulfilled the corporate social responsibilities and implemented pollutant prevention and control measures. The Group implemented the environmental transformation plan in 2020 and formulated plans on pollutants treatment and the construction of the online monitoring system. The Group vigorously advanced the ultra-low emission transformation of environmental facilities. In the first half of the year, it carried out a total of 6 environmental transformation projects with a total investment of RMB15.11 million. It improved the environmental management system and strictly controlled environmental risks, achieving no major environmental pollution accident and an implementation rate of 100% in the environmental protection “three simultaneous” system for construction projects.

# Report of the Board of Directors (Continued)

## II. ANALYSIS OF PRINCIPAL BUSINESSES

### 1. Overview

Unit: RMB million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Operating income	44,650	51,074	-12.58	-
Operating costs	40,742	45,962	-11.36	-
Marketing expenses	1,533	1,539	-0.39	-
Administrative expenses	592	615	-3.74	-
Research and development expenses	155	214	-27.57	-
Financial expenses	502	621	-19.16	-
Income tax expenses	115	422	-72.75	Income tax expenses decreased by RMB307 million as compared with the corresponding period of the previous year, mainly due to (i) the decrease in current income tax expenses by RMB100 million as compared with the corresponding period of the previous year; (ii) the decrease in deferred income tax adjustment by RMB207 million as compared with the corresponding period of the previous year.
Net cash flow from operating activities	4,779	3,765	26.93	-
Net cash flow from investing activities	-1,280	-1,588	19.40	-

# Report of the Board of Directors (Continued)

## II. ANALYSIS OF PRINCIPAL BUSINESSES

### 1. Overview

*Unit: RMB million*

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net cash flow from financing activities	-417	-2,550	83.65	Net cash outflow from financing activities decreased by RMB2,133 million as compared with the corresponding period of the previous year, mainly because (i) the cash payment for repayment of debts decreased by RMB1,297 million as compared with the corresponding period of the previous year; (ii) the cash payment for dividend and profit distribution and interest payment decreased by RMB1,082 million as compared with the corresponding period of the previous year.
Net increase of cash and cash equivalents	3,082	-373	926.27	Net increase of cash and cash equivalents increased by RMB3,455 million as compared with the corresponding period of the previous year, mainly because (i) the net cash inflow from operating activities increased by RMB1,014 million as compared with the corresponding period of the previous year; (ii) the net cash outflow from investing activities decreased by RMB308 million as compared with the corresponding period of the previous year; (iii) the net cash outflow from financing activities decreased by RMB2,133 million as compared with the corresponding period of the previous year.

### 2. Whether there is any significant change in profit composition or sources of profit of the Company during the Reporting Period

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

# Report of the Board of Directors (Continued)

## II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

### 3. Composition of the principal businesses

Principal businesses of the Group by industry and product

Unit: RMB million

	Operating income	Operating costs	Gross profit margin (%)	Increase/ decrease in operating income as compared with the corresponding period of the previous year (%)	Increase/ decrease in operating costs as compared with the corresponding period of the previous year (%)	Increase/ decrease in gross profit margin as compared with the corresponding period of the previous year (percentage point)
<b>By industry</b>						
Steel pressing and processing industry	44,482	40,587	8.76	-12.45	-11.24	-1.24
<b>By product</b>						
Hot-rolled sheets products	13,207	11,529	12.71	-14.17	-12.27	-1.88
Cold-rolled sheets products	14,475	13,482	6.86	-11.52	-10.67	-0.88
Medium-thick plates	7,504	6,770	9.78	-10.83	-11.31	0.49
<b>By geographical location</b>						
China	42,855	39,053	8.87	-8.93	-7.39	-1.51
Export sales	1,627	1,534	5.72	-56.60	-56.84	0.51

Note:

The operating income of full range of products decreased as compared with the corresponding period of the previous year, primarily due to the decline in sales volume and product prices. The operating costs of full range of products decreased as compared with the corresponding period of the previous year, primarily due to the decline in sales volume and unit costs.

## II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

### 4. Liquidity and financial resources

As at 30 June 2020, the Group had long-term loans (exclusive of loans due within one year) of RMB3,988 million with interest rates ranging from 2.82% to 5.225% per annum and terms ranging from 3 to 7 years. These loans, falling due in 2023, are mainly used for replenishing the working capital of the Group. The Group's long-term loans due within one year amounted to RMB1,303 million.

With good credit standing, the Group was reviewed and assigned a long-term credit rating of "AAA" by the rating committee of China Chengxin International Credit Rating Co., Ltd. in 2020. The Group is able to repay its debts as they fall due.

As at 30 June 2020, the Group had a total capital commitment of RMB2,305 million, which was primarily attributable to the investment contracts of RMB14 million entered into but not yet performed or partially performed and construction and renovation contracts of RMB2,291 million entered into but not yet performed or partially performed.

### 5. 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 for production 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 has issued H-share convertible bonds in an aggregate amount of HK\$1.85 billion, which exposed the Group to foreign exchange risk arising from the exchange rate fluctuations of RMB against HKD upon redemption of such bonds that were not converted.

# Report of the Board of Directors (Continued)

## III. ANALYSIS OF NON-PRINCIPAL BUSINESSES

*Unit: RMB million*

	<b>Amount</b>	<b>As a percentage of total profit (%)</b>	<b>Reasons</b>	<b>Sustainable or not</b>
Investment income	88	14.24	Mainly included income from long-term equity investments accounted for using equity method and dividend income from other equity instrument investments during the holding period.	Yes
Asset impairment losses	-156	-25.24	Mainly due to the impairment provision for inventories.	No

# Report of the Board of Directors (Continued)

## IV. ASSETS AND LIABILITIES

### 1. Significant changes in composition of assets

*Unit: RMB million*

	30 June 2020		31 December 2019		Increase/ decrease (percentage point)	Explanation for significant changes
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary capital	7,753	8.63	4,671	5.32	3.31	-
Notes receivable	227	0.25	2,635	3.00	-2.75	-
Accounts receivables	1,944	2.16	2,569	2.93	-0.77	-
Inventories	10,488	11.67	9,793	11.15	0.52	-
Long-term equity investments	2,932	3.26	2,894	3.30	-0.04	-
Fixed assets	49,858	55.50	50,966	58.04	-2.54	-
Construction in progress	2,002	2.23	1,549	1.76	0.47	-
Short-term loans	11,855	13.20	12,195	13.89	-0.69	-
Long-term loans	3,988	4.44	3,392	3.86	0.58	-

# Report of the Board of Directors (Continued)

## IV. ASSETS AND LIABILITIES (CONTINUED)

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

Unit: RMB million

Item	Opening balance	Gains or losses arising from changes in fair value		Impairment provision made for the period	Purchases during the period	Disposals during the period	Closing balance
		for the period	reported in equity				
<b>Financial assets</b>							
Including:							
1. Financial assets held for trading (excluding derivative financial assets)	38	-12	-	-	-	-	26
2. Derivative financial assets	0	2	-	-	-	-	2
3. Other debt investment	-	-	-	-	-	-	-
4. Other equity instrument investments	465	-	-355	-	-	-	483
Sub-total of financial assets	503	-10	-355	-	-	-	511
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	503	-10	-355	-	-	-	511
Derivative financial liabilities	0	-	-	-	-	-	0

Material changes in measurement of major assets during the Reporting Period

Yes  No

# Report of the Board of Directors (Continued)

## IV. ASSETS AND LIABILITIES (CONTINUED)

### 3. Gearing ratio

As at 30 June 2020 and 31 December 2019, the Group's equity-to-debt ratio was 1.41 times and 1.49 times, respectively.

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

- (1) Notes receivable: The Group pledged notes receivable with a carrying amount of RMB17 million to banks in the period to secure notes payable of RMB17 million. The term of the pledge is from January 2020 to December 2020.
- (2) Receivable financing: The Group pledged notes receivable with a carrying amount of RMB80 million to banks in the period to secure notes payable of RMB80 million. The terms of the pledge of RMB9 million and RMB71 million are from June 2020 to September 2020 and from January 2020 to December 2020, respectively.

### 5. Contingent liabilities

As at 30 June 2020, the Group had no contingent liabilities.

## V. WORK PLAN FOR THE SECOND HALF OF 2020

At present, the pandemic in the PRC is under control but the pandemic in other parts of the world is still spreading, which resulted in the global economy being in deep recession and economic globalization facing a countercurrent. As the China's macro policies to hedge against the impact of the pandemic were gradually rolled out, especially the policies and measures relating to "six stabilities" and "six guarantees" gradually took effect, the domestic economic operation generally recovered and continued to improve. The downstream steel-using industries resumed the production and work in an orderly manner and accelerated the construction of major infrastructure projects, the supply and demand ends in the manufacturing industry continued to recover, and the consumer market continued to improve. Therefore, the "steel demand" increased significantly, and steel companies are undergoing a rare period of market opportunities. Faced with the complex and changeable internal and external environment, the Company will consistently strengthen party building, practice the concept of "intensification, reduction, intelligence @ customers", optimize spatial layout, product layout and industrial layout, and improve its abilities of efficiency improvement reform, cost reform, service leading, leading technology, intelligent production and ecological integration. It will also maintain strategic determination and seize favorable opportunities to ensure steady growth in operating efficiency.

Focusing on the Company's overall annual operating goals, the Company will primarily carry out the following work in the second half of the year:

1. Highlight strategic leading and optimize industrial layout.
2. Adhere to the innovation drives and accelerate intelligent production.
3. Strengthen refined management and control and improve quality and efficiency.
4. Monitor the reform implementation and release the vitality of development.

# Report of the Board of Directors (Continued)

## V. WORK PLAN FOR THE SECOND HALF OF 2020 (CONTINUED)

5. Enhance brand building and expand market share.
6. Establish bottom-line thinking and enhance risk prevention.
7. Uphold the Party's leadership and strengthen party building.

## VI. ANALYSIS OF INVESTMENTS

### 1. Overview

External investments

<b>Investments for the Reporting Period</b> <i>(RMB million)</i>	<b>Investments for the corresponding period of the previous year</b> <i>(RMB million)</i>	<b>Change</b> <i>(%)</i>
119	70	70

### 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

# Report of the Board of Directors (Continued)

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments

#### (1) Securities investments

Unit: RMB million

Stock type	Stock code	Stock abbreviation	Initial investment	Accounting measurements	Gains or losses on		Accumulative changes in fair value reported in equity	Purchase amount for the current period	Disposal amount for the current period	Loss or gain during the Reporting Period	Book value at the end of the period	Accounting item	Source of funds
					of the beginning period	of the current period							
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	38	-12	-	-	-	-	26	Financial asset held for trading	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 Reporting Period	Purchase amount during the Reporting Period	Disposal amount during the Reporting Period	Provision for impairment (if any)	Investments at the end of the Reporting 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	Date of termination							
Angang Steel	None	No	Futures hedging	1	29 April 2015	-	164	434	738	-	165	0.31%	3
Total				1	-	-	164	434	738	-	165	0.31%	3

# Report of the Board of Directors (Continued)

## VI. ANALYSIS OF INVESTMENTS (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 27 March 2020, the Resolution in Relation to the Company's 2020 Annual Hedging Business Amount was approved at the 21st meeting of the eighth session of the Board.

Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting      None

Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operational 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 forecast 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 sufficient liquidity, there is no liquidity risk.

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

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

(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 evaluation 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.

Changes in market price or 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 and nickel quoted on the Shanghai Futures Exchange; iron ore and coking coal quoted on the Dalian Commodity Exchange; on 2 January 2020, the consecutive dominant contract settlement prices of deformed bar, hot-rolled coil, nickel, iron ore and coking coal were RMB3,563/ton, RMB3,587/ton, RMB111,060/ton, RMB655.5/ton and RMB1,173/ton, respectively; on 30 June 2020, the consecutive dominant contract settlement prices of deformed bar, hot-rolled coil, nickel, iron ore and coking coal were RMB3,568/ton, RMB3,583/ton, RMB102,610/ton, RMB744/ton and RMB1,177.5/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, nickel, iron ore and coking coal were +RMB5/ton, -RMB4/ton, -RMB8,450/ton, +RMB88.5/ton and +RMB4.5/ton, respectively.

# Report of the Board of Directors (Continued)

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

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

Explanations of any significant changes in the Company's accounting policies and specific accounting principles on derivatives adopted during the Reporting Period as compared with those of the last Reporting Period

N/A

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

(1)

The Company utilized self-owned capital for the development of futures hedging business under its assurance of its normal production and operation, and performed related approval procedures in compliance with relevant requirements of the applicable laws and 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 interest of the Company and the 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 risk prevention and control, thereby providing assurance for the Company's control of hedging-related risks.

# Report of the Board of Directors (Continued)

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

(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.

## VII. DISPOSAL OF SIGNIFICANT ASSETS AND EQUITY INTERESTS

### 1. Disposal of significant assets

Applicable     Not applicable

### 2. Disposal of significant equity interests

Applicable     Not applicable

## VIII. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEES

*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	Limited Liability Company	Iron and steel smelting, steel pressing and processing and distribution of steel products	8,000	5,545	4,372	3,946	331	271
Angang Financial Company	Limited Liability Company	Deposit, lending and financing	4,000	26,779	7,299	455	392	295

# Report of the Board of Directors (Continued)

## IX. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Applicable     Not applicable

## X. RISKS FACED BY THE COMPANY AND COUNTERMEASURES THEREOF

In 2020, the Company is affected by multiple factors, such as the macro-economic situation, the iron and steel industry environment and the Company's own reform and development, interwoven with COVID-19 pandemic, and the production and operation situation of the Company are extremely severe and complicated.

### (1) Risk posed by COVID-19 pandemic prevention and control

#### ① Risk description

In the first half of the year, the global spread of the COVID-19 pandemic has brought severe impact on the world economy and the Chinese economy. With a series of strong pandemic prevention and control measures taken by the Chinese government, the pandemic prevention and control in China has been effectively brought under control and economic and social development has gradually resumed. However, the overseas pandemic continuously prevails, and the international steel market demand continues to decline. Under the situation of repeated outbreak of COVID-19 pandemic in China, the Company still needs to strictly prevent and control the COVID-19 pandemic within the Company, otherwise it will affect the normal production and operation and cause economic losses and adverse effects to the Company.

## **X. RISKS AND FACED BY THE COMPANY COUNTERMEASURES THEREOF (CONTINUED)**

### **(1) Risk posed by COVID-19 pandemic prevention and control (Continued)**

#### ② Risk management solution

The Company will establish a pandemic prevention and control system. A pandemic prevention and control headquarter has been set up to clarify the responsibilities of all departments for pandemic prevention and control. In respect of carrying out sanitation and anti-pandemic work, the Company will comprehensively strengthen efforts to prevent, disinfect and strictly prevent the spread of the pandemic and coordinate to manage and control key units and strengthen information collection and submission well. In addition, it will implement pandemic prevention and control measures at different levels, carry out a normalized pandemic prevention and control management mechanism and works with the guidance of public opinions. What's more, the Company will conduct extensive publicity of prevention and treatment knowledge, solve problems scientifically, improve staff awareness of pandemic prevention, strengthen training on the correct use of protective equipment and guide workers to intensify pandemic prevention and control. In respect of strengthening supervision and inspection, the Company will monitor, collaborate and guide the implementation of the pandemic prevention and control work well to ensure that all measures are put in place.

## **X. RISKS AND FACED BY THE COMPANY COUNTERMEASURES THEREOF (CONTINUED)**

### **(2) Marketing risk**

#### 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. In addition, as affected by the pandemic, customer demand decreased, liquidity was tight and market competition was more fierce, which caused increasing difficulties in contract organization.

## **X. RISKS AND FACED BY THE COMPANY COUNTERMEASURES THEREOF (CONTINUED)**

### **(2) Marketing risk (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.

## X. RISKS AND FACED BY THE COMPANY COUNTERMEASURES THEREOF (CONTINUED)

### (3) Safety and fire protection risk

#### ① Risk description

The new version of the Safety Production Law is about to be promulgated and the Regulations on Safety Administration of Dangerous Chemicals will be implemented soon, which shows the government's intensified efforts in the supervision and management of enterprises' safety production and occupational health, as well as the imposition of relevant penalties. Where measures of the safety production are not in place, and responsibilities are not fulfilled, various potential accidents and safety risks would occur in an intertwined and superposed way during the process of production and maintenance, which may cause production safety accidents and further results in economic losses to and adverse impacts on the enterprises.

#### ② Risk management solution

While intensifying the promotion and implementation of the Safety Production Law, the Regulations on Safety Administration of Dangerous Chemicals and other laws and regulations, the Group will investigate and identify the non-conformities one by one according to the new requirements, and implement rectifications on the problems identified. We will strictly implement the dual responsibilities of prevention and management, including management and control of safety risks at different levels, and identification and management of hidden dangers, strengthen safety management of projects and implement management responsibility for regional safety in accordance with the grid management requirements, so as to control and remove safety risks and hidden dangers and curb the occurrence of all kinds of accidents.

# Report of the Board of Directors (Continued)

## XI. EMPLOYEES

Staff composition as at 30 June 2020 is set out as follows:

Number of current employees in the Company ( <i>person</i> )	28,826
Number of current employees in major subsidiaries ( <i>person</i> )	4,638
Total number of current employees ( <i>person</i> )	33,464
Total number of employees receiving remuneration during the period ( <i>person</i> )	33,464
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	23,672
Sales	321
Technical	2,949
Finance	245
Administration	2,357
Others	3,920
Total	33,464

# Report of the Board of Directors (Continued)

## XI. EMPLOYEES (CONTINUED)

### Education level

<b>Category of education level</b>	<b>Number of people</b> <i>(person)</i>
Bachelor's degree and above	9,379
Post-secondary	9,489
Technical secondary school	13,189
Others	1,407
<b>Total</b>	<b>33,464</b>

In the first half of the year, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, aimed at Angang Steel's overall work deployment for 2020, and led by the target of cultivating technology leading talents and a core team in the industry, the Company made great efforts to strengthen the training results and give full play to the training efficiency. Focusing on the development concept of innovation, information and intelligence, the Company made use of the opportunity of human resources optimization and formulated new ideas for training work with production and operation as its center. We speeded up the promotion of systematic, modular and precise education and training, deepened the implementation of technological talents training and further conducted lean management and training, so as to increasingly improve the occupational quality of the employee team and facilitate the transformation and upgrading of the Company. Affected by COVID-19, the number of training programs in the first half of 2020 declined. As at the end of June 2020, the attendance of the annual special training of the Company was 8,928 in 649 programs of 21 categories; 10,792 primary employees received training for job knowledge and skills in 1,128 programs; and the attendance of employees holding the work permits for special operations for safety qualification training was 3,107. The planned training targets were achieved.

# Report of the Board of Directors (Continued)

## **XI. EMPLOYEES (CONTINUED)**

The Company has adopted position-and-performance based salary and risk-linked 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.

## **XII. PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

## **XIII. SECURITIES TRANSACTIONS BY 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 throughout the Reporting Period.

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

Throughout the Reporting Period, the Board 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 Rule 3.10(2) of the Hong Kong Listing Rules, which requires one of the independent non-executive directors to possess professional qualifications or accounting or related financial management expertise.

# Report of the Board of Directors (Continued)

## **XV. AUDIT COMMITTEE**

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

The Audit Committee and the management have reviewed the accounting standards, principles and measurements adopted by the Company, and considered the related audit, internal control and the unaudited interim financial report for the six months ended 30 June 2020.

## **XVI. CHAPTER 13 DISCLOSURE OF THE HONG KONG LISTING RULES**

The Directors confirmed that there was no matter occurring for the six months ended 30 June 2020 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.

## **XVII. SUFFICIENT PUBLIC FLOAT**

According to the information that is publicly available to the Company and within the knowledge of the Directors, the Company had been maintaining sufficient public float as required by the Hong Kong Listing Rules during the six months ended 30 June 2020.

## I. INFORMATION ON THE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS HELD IN THE REPORTING PERIOD

### 1. General meetings held in the Reporting Period

<b>Session of Meeting</b>	<b>Type of Meeting</b>	<b>Proportion of investors involvement</b>	<b>Date of convening</b>
The 2020 first extraordinary general meeting	Extraordinary general meeting	58.27%	16 March 2020
2019 annual general meeting	Annual general meeting	56.81%	28 May 2020

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

The Company proposed not to distribute cash dividends, issue bonus shares or transfer reserve to share capital for the interim period.

## Significant Matters (Continued)

### III. THE UNDERTAKINGS PERFORMED BY DE FACTO CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY 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	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Non-competition undertakings	<p>The Non-competition Undertaking Letter of Anshan Iron &amp; Steel Group Complex (蒙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 controlled subsidiaries have complied with relevant requirements of the state on the non-competition.</p> <p>(2) Angang Holding and its wholly-owned and controlled 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 controlled subsidiaries of Angang Holding under the same conditions, 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, at the request of the Company, it will transfer all the capital contribution, shares or equity interests it holds in such companies and grant the Company preemptive rights for such capital contribution, shares or equity interests under the same conditions.</p>	20 May 2007	Indefinite	There was no breach of such undertaking

**III. THE UNDERTAKINGS PERFORMED BY DE FACTO CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD (CONTINUED)**

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>(5) If Angang Holding and its wholly-owned and controlled subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes to purchase such assets and business, Angang Holding and its wholly-owned and controlled subsidiaries will transfer relevant assets and business to the Company with priority based on reasonable prices and conditions according to the processes required by laws.</p> <p>(6) During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first of the opportunity of new business.</p> <p>If the Company accepts such opportunity of new business, Angang Holding shall transfer such new business to the Company for free. Angang Holding and its wholly-owned and controlled subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.</p> <p>If the Company proposes to acquire such business in the future, Angang Holding and its wholly-owned and controlled subsidiaries still need to transfer the assets and business formed by such opportunities to the Company with priority based on reasonable prices and conditions.</p>			

## Significant Matters (Continued)

### III. THE UNDERTAKINGS PERFORMED BY DE FACTO CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD (CONTINUED)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Whether the commitment are fulfilled on time	Yes		<p>(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 controlled subsidiaries which do not compete with the Company, especially the business of provision of required materials or services necessary for the operation of the Company.</p> <p>All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible to engage 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:</p> <ol style="list-style-type: none"> <li>(1) Angang Holding ceases to be the controlling shareholder of the Company;</li> <li>(2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of trading of the shares of the Company due to any reason);</li> <li>(3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.</li> </ol> <p>Considering that Angang Holding does not have any iron and steel production projects already put into production which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitors with the Company before the date of the issuance of the undertaking letter.</p>			

### IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

This interim report of the Company is unaudited.

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

#### **1. Changes in accounting policies**

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

#### **2. Changes of accounting estimates**

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

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

There was no matter relating to insolvency and restructuring during the Reporting Period.

### **VII. LITIGATION**

## Significant Matters (Continued)

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

### Other litigations

Basic information of the litigation (arbitration)	Amount involved in the Litigation (RMB'0,000)	Whether caused estimated liabilities or not	Progress of the litigation (arbitration)	Results of trial of litigation (arbitration) and effects thereof	Execution of judgment of the litigation (arbitration)	Disclosure date	Disclosure index
Non-material proceedings	122,695	-	Case built, and some of the cases are in court	Cases in court all win in the first instance	-	-	-
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.

## VIII. MATTERS RELATED TO MEDIA SKEPTICISM

## Significant Matters (Continued)

During the Reporting Period, the Company had no matters related to widespread media skepticism.

### **IX. PENALTY AND RECTIFICATIONS**

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

### **X. CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS**

Applicable       Not applicable

### **XI. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY**

Applicable       Not applicable

### **XII. MAJOR CONNECTED TRANSACTIONS**

# Significant Matters (Continued)

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	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions	
							percentage of the amount of similar transactions				Transaction cap (RMB million)
							(%)				
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	3,383	17.01	27,336	No	In cash	-
Angang Group Mining Gongchangling Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,623	8.16			In cash	-
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,189	5.98			In cash	-
Angang International Trade	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	859	4.32			In cash	-
Angang Group Anqian Mining Company Limited	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	758	3.81			In cash	-
Shanxi Wuchuan International Energy Co., Ltd. (山西物產國際能源有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	742	3.73			In cash	-
Angang Group Guanbaoshan Mining Co. Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	604	3.04			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	550	2.77			In cash	-
Sub-total	-	-	Purchase main materials	-	-	9,708	48.83			-	-

**XII. 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 similar transactions
Anshan Steel Metallurgy Lucai Technology Co., Ltd. (鞍山鋼鐵冶金爐材科技有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	391	6.99	3,569	No	In cash	-
Angang Naihui Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	302	5.40			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	474	8.46			In cash	-
Sub-total	-	-	Purchase auxiliary materials	-	-	1,167	20.87			-	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	714	35.88	1,950	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	-	21	1.06			In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	735	36.93			-	-

# Significant Matters (Continued)

## XII. 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 similar transactions
Delin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	964	18.32	6,341	No	In cash	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	369	7.01			In cash	-
Angang Cold Rolled Steel Plate Co., Ltd. (Putian)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	240	4.56			In cash	-
Angang Construction Group Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	230	4.37			In cash	-
Angang Auto Transport Co., Ltd	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	173	3.29			In cash	-
Angang Group Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	157	2.98			In cash	-
Angang Group Energy-saving Technology Service Co., Ltd (鞍鋼集團節能技術服務有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	151	2.87			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	790	15.01			In cash	-
Sub-total	-	-	Receive supporting services	-	-	3,074	58.42			-	-

## Significant Matters (Continued)

### XII. 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 similar transactions
Dejin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	-	667	1.59	5,398	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	-	221	0.53			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	-	371	0.89			In cash	-
Sub-total	-	-	Sales of products	-	-	1,259	3.01			-	-
Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sell scrap steel material and abandoned material	Market principle	-	107	81.06	361	No	In cash	-
Sub-total	-	-	Sell scrap steel material and abandoned material	-	-	107	81.06			-	-
Angang Holding	Controlling shareholder	Sales of goods/ Provide services	Provide comprehensive services	Market principle	-	281	11.88	2,028	No	In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Provide comprehensive services	Market principle	-	106	4.48			In cash	-
Sub-total	-	-	Provide comprehensive services	-	-	387	16.36			-	-

# Significant Matters (Continued)

## XII. 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 similar transactions
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interest	Market principle	-	16	69.57	50	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	3,500	-	3,500	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	-	2	0.43	250	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan	Market principle	-	50	100	2,000	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	-	0	0	120	No	In cash	-

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

During the Reporting Period, the total amount of continuing connected transactions of the Company did not exceed the relevant caps applicable to such types as specified under the Continuing Connected Transaction Agreements which were approved at the general meeting and the estimated amount of various continuing connected transactions at the beginning of the year.

Reason for the large 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

## XII. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

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

### 3. Connected transactions in relation to joint external investments

*Unit: RMB million*

Joint parties	Connected relationship	Investee	Principal business of the investee	Registered capital of the investee	Total assets of the investee	Net assets of the investee	Net profit of the investee
Angang Holding	Controlling shareholder	Delin Zhilian	E-commerce; online sales of steel and iron and supply chain finance, etc.	60	75	61	1
Progress of significant projects under construction of the investee (if any)	-						

### 4. Debts and obligations due from/owed to connected parties

During the Reporting Period, the Company did not have any debts and obligations due from/owed to connected parties incurred from non-operating activities.

## Significant Matters (Continued)

### **XIII. USE OF THE CAPITAL OF THE LISTED COMPANY BY THE CONTROLLING SHAREHOLDER AND ITS CONNECTED PARTIES FOR NON-OPERATING PURPOSES**

During the Reporting Period, neither the controlling shareholder nor its connected parties used the capital of the Company for non-operating purposes.

### **XIV. MATERIAL CONTRACTS AND THEIR PERFORMANCE**

#### **1. Entrustment, contracting and leasing matters**

##### **(1) Entrustment**

The Company and Angang Holding entered into the Asset and Business Entrustment and Management Service Agreement approved at the general meeting of the Company, which is the specific agreement for execution under the approved Supply of Materials and Services Agreement (2019–2021). Pursuant to the Asset and Business Entrustment and Management Service Agreement, Angang Holding authorized the Company to conduct daily operation and management over the assets, businesses, future assets and business expansion of its unlisted controlled subsidiaries.

During the Reporting Period, there was no entrusted project which generated profit of more than 10% of the gross profit of the Company for the Reporting Period.

##### **(2) Contracting**

There was no contractual arrangement during the Reporting Period.

### **XIV. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)**

#### **1. Entrustment, contracting and leasing matters (Continued)**

##### (3) Leasing

The Company used certain land assets of Angang Holding and its subsidiaries for its production and operation. Pursuant to the Land Lease Agreements entered into between the Company and relevant parties, the Company paid a land leasehold payment with reference to the market rates to Angang Holding and its subsidiaries, representing a total amount of RMB35 million in the first half of 2020.

During the Reporting Period, there was no lease which generated profit of more than 10% of the gross profit of the Company for the Reporting Period.

- 2. During the Reporting Period, there was no guarantee provided by the Company, nor was there any guarantee subsisting during the Reporting Period.**
- 3. The Company did not enter into any other material agreement during the Reporting Period.**

# Significant Matters (Continued)

## XV. SOCIAL RESPONSIBILITIES

### 1. Material matters regarding environmental protection

Company or subsidiary	Major pollutant and particular pollutant	Discharge manner	Discharge outlet	Location of discharge outlets	Emission concentration	Pollutant discharge standard adopted	Total discharge amount (tonnes)	Total discharge amount approved	Excess discharge
Angang Steel (including Angang Steel Anshan plant, Bayuquan Iron & Steel Branch Company, and Chaoyang Iron and Steel)	COD	Standard discharge of wastewater after treatment	3	Main outlet	<50mg/L	50mg/L	44.5	not assessed by the government	Nil
	Ammoniacal nitrogen	Standard discharge of wastewater after treatment	3	Main outlet	<5mg/L	5mg/L	2.19		Nil
	Particulates	Standard discharge of exhaust gas after treatment	540	Coking	<30mg/m <sup>3</sup>	30mg/m <sup>3</sup>	5,849.7		Nil
				Iron making	<50mg/m <sup>3</sup>	50mg/m <sup>3</sup>			
				Steel making	<20mg/m <sup>3</sup>	20mg/m <sup>3</sup>			
				Steel rolling	<30mg/m <sup>3</sup>	30mg/m <sup>3</sup>			
	Sulphur dioxide	Standard discharge of exhaust gas after treatment	201	Coking	<50mg/m <sup>3</sup>	50mg/m <sup>3</sup>	4,779.2		Nil
				Sintering	<200mg/m <sup>3</sup>	200mg/m <sup>3</sup>			
				Steel rolling	<150mg/m <sup>3</sup>	150mg/m <sup>3</sup>			
	Nitrogen oxides	Standard discharge of exhaust gas after treatment	170	Coking	<500mg/m <sup>3</sup>	500mg/m <sup>3</sup>	12,696.1		Nil
				Sintering	<300mg/m <sup>3</sup>	300mg/m <sup>3</sup>			
				Steel rolling	<200mg/m <sup>3</sup>	200mg/m <sup>3</sup>			

### **XV. SOCIAL RESPONSIBILITIES (CONTINUED)**

#### **1. Material matters regarding environmental protection (Continued)**

- (1) Suggestions on and operation of pollution prevention facilities

In the first half of 2020, Angang Steel invested a total of RMB15.11 million in the commencement and implementation of 6 environmental protection and renovation projects. The existing environmental protection facilities were under stable operation and the exhaust gas was discharged in compliance with the standards. Wastewater from Chaoyang Iron and Steel and Bayuquan Iron & Steel Branch Company was discharged in compliance with the standard. Zero discharge of wastewater was achieved during non-rainy periods in Anshan plant.

Due to the long history of the Company's Anshan plant, large area of the main factory and complex terrain pipe network, flood control drainage was discharged through Xidagou wastewater discharge outlet during concentrated rainfall in flood season, which led to the risk that some indicators of external drainage pollutants would exceed the limits of comprehensive wastewater discharge standards in Liaoning Province.

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

The environmental impact assessment was carried out for all new construction projects of Angang Steel according to relevant regulations and all such projects were completely in line with the "three simultaneities" principle in respect of environmental protection. Angang Steel is in the process of changing its pollutant discharge permit according to the requirements of relevant laws and regulations on pollutant discharge permit.

## **XV. SOCIAL RESPONSIBILITIES (CONTINUED)**

### **1. Material matters regarding environmental protection (Continued)**

- (3) Emergency plans for environmental pollution accidents

Angang Steel appointed a third party to amend Emergency Plan for Environmental Pollution Accidents in compliance with the requirements of relevant laws and regulations, and completed the filing work with the environmental protection department of the government.

- (4) Environmental protection self-monitoring plan

Angang Steel has formulated an environmental monitoring plan and carried out monitoring in accordance with the requirements of relevant laws and regulations in respect of emission permits.

- (5) Other environmental information subject to disclosure

In the first half of 2020, as some indicators (pH, total nitrogen) of water pollutants in flood control drainage discharged from Xidagou wastewater outlet of Angang Steel had exceeded the limits of comprehensive wastewater discharge standards in Liaoning Province, Anshan Ecological Environment Bureau issued a decision on environmental protection administrative penalty to Angang Steel in June and July 2020, with fines of RMB200,000, RMB100,000 and RMB100,000 respectively. Angang Steel was working on the systematic rectification measures in order to completely solve the problem of excessive water pollutants in flood control drainage discharged from Xidagou wastewater outlet.

## **XV. SOCIAL RESPONSIBILITIES (CONTINUED)**

### **2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation**

#### (1) Targeted poverty alleviation plans

Under the guidance of the General Secretary 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 help poverty alleviation targets successfully complete the poverty eradication goals.

## **XV. SOCIAL RESPONSIBILITIES (CONTINUED)**

### **2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)**

- (2) Summary of targeted poverty alleviation during the first half of 2020

In the first half of the year, Angang Steel earnestly studied the spirit of the speech delivered by General Secretary Xi Jinping at the symposium on critical battle against poverty, stayed true to its original aspirations, kept in mind the mission, overcame the impact of COVID-19 epidemic, accurately facilitated poverty-alleviation work, and achieved remarkable results.

Angang Steel carefully planned and promoted the implementation of poverty-alleviation projects in 2020. The Company has invested RMB14.7802 million as poverty alleviation funds in the first half of the year, comprising RMB14.4802 million for Ta County of Xinjiang Province, RMB300,000 for Shangtao Village of Chaoyang City. Through supporting and investing in the construction project of remote consultation platform of People's Hospital in Ta County, purchase of medical equipment, distance education project of township primary schools, agricultural planting and agricultural material procurement, yak breeding and yak meat processing projects, pairing support with Shangtao Village in respect of road construction, fruit tree planting and other specific projects, 16,599 impoverished households have benefited from our poverty alleviation work in relation to health care, industry, education and people's livelihood.

## XV. SOCIAL RESPONSIBILITIES (CONTINUED)

### 2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

- (3) Results of targeted poverty alleviation during the half year of 2020

Indicator	Unit	Number/ progress
I. Overview	-	-
Including:		
1. Cash	RMB'0,000	1,478.02
2. Supplies converted into cash	RMB'0,000	-
3. Number of archived impoverished population casting off poverty	Person	16,599
II. Subentry	-	-
1. Poverty alleviation through industrial development	-	-
Including:		
1.1 Type of industrial development projects for poverty alleviation	-	-
1.2 Number of industrial development projects for poverty alleviation	Project	6
1.3 Capital invested in industrial development projects for poverty alleviation	RMB'0,000	1,046.33
1.4 Number of archived impoverished population casting off poverty	Person	16,599

# Significant Matters (Continued)

## XV. SOCIAL RESPONSIBILITIES (CONTINUED)

### 2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

(3) Results of targeted poverty alleviation during the half year of 2019 (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	153
2.3 Employment of archived impoverished population	Person	24
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	147.69

## XV. SOCIAL RESPONSIBILITIES (CONTINUED)

### 2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

- (3) Results of targeted poverty alleviation during the half year of 2019 (Continued)

Indicator	Unit	Number/ progress
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	282
6. Poverty alleviation from the perspective of ecological protection	-	-
Including: 6.1 Type of project	-	-
6.2 Capital contributed	RMB'0,000	-
7. Bottomlined guarantee	-	-
Including: 7.1 Capital for "staybehind" children, elderly and women	RMB'0,000	-
7.2 Number of "staybehind" 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	-

## Significant Matters (Continued)

### XV. SOCIAL RESPONSIBILITIES (CONTINUED)

#### 2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

(3) Results of targeted poverty alleviation during the half year of 2019 (Continued)

Indicator	Unit	Number/ progress
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	-
9.2 Capital contributed	RMB'0,000	-
9.3 Number of archived impoverished population casting off poverty	Person	-
III. Awards (nature and class)	-	-

### **XV. SOCIAL RESPONSIBILITIES (CONTINUED)**

#### **2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)**

- (4) Follow-up targeted poverty alleviation plans

In the second half of the year, Angang Steel will earnestly implement the spirit of the speech delivered by General Secretary Xi Jinping at the symposium on critical battle against poverty, and make its best efforts to alleviate poverty to ensure the successful completion of the targets of the poverty alleviation plan for the year.

The year 2020 is the closing year for building a well-off society in an all-round way. Angang Steel will earnestly implement the spirit of the important speech delivered by General Secretary Xi Jinping at the symposium on critical battle against poverty alleviation. We shall strengthen confidence and strive to advance poverty alleviation work with greater determination and efforts.

### **XVI. OTHER SIGNIFICANT MATTERS**

Reference is made to the announcement dated 12 July 2018 of the Company in relation to the agreement regarding a connected transaction for subscription of new shares to be issued by An Steel International Co., Limited (the "Subscription Agreement"). Considering the unavailability of financing and the adjustment to the overall planning for the utilization of the relevant land, together with the significant changes in Indonesia's domestic market environment, the Indonesian partner of the project has indicated its intention not to proceed with the project, resulting in the failure of the fulfilling of the conditions precedent under the Subscription Agreement. After arm's length negotiations among the parties, on 28 August 2020 (after trading hours), the Company and An Steel entered into a termination agreement (the "Termination Agreement"), pursuant to which the parties thereto have agreed to terminate the Subscription Agreement.

Save for the above matters, there were no other significant matters need to be explained by the Group.

### **XVII. CORPORATE GOVERNANCE OF THE COMPANY**

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the China Securities Regulatory Commission (the “CSRC”), the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange and the Corporate Governance Guideline of Listed Companies and other requirements, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system. There is no difference between the Company’s corporate governance practice and the Company Law and the relevant requirements of the CSRC.

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

The Company has adopted the code provisions of the Corporate Governance Code (the “Code Provisions”) set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has reviewed its corporate governance practices from time to time. Save as set out below, the Company complied with all Code Provisions during the Reporting Period.

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

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

The Company did not arrange any insurance cover for its Directors in the first half of 2020.

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, which has lowered the legal risks to the Directors. Therefore, no insurance arrangement has been made in respect of the Directors.

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

The chairman of the Company, Mr. Wang Yidong, has not attended the annual general meeting of the Company in person due to corporate affairs, and appointed Mr. Li Zhen, the Director of the Company, to attend and preside over the meeting on his behalf.

# Movements in Share Capital and Shareholding of Substantial Shareholders

## I. MOVEMENTS IN SHARES

### 1. Movements in Shares

As at 30 June 2020, the structure of share capital of the Company was as follows:

*Unit: Share*

	Before the change		Increase/decrease during the period (+/-)					After the change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from accumulated fund	Others	Sub-total	Number	Percentage (%)
<b>I. Shares subject to trading moratorium</b>	7,458	0.00	-	-	-	+1	+1	7,459	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	7,458	0.00	-	-	-	+1	+1	7,459	0.00
4. Foreign investment shares	-	-	-	-	-	-	-	-	-
Including: shares held by overseas									
legal persons	-	-	-	-	-	-	-	-	-
shares held by overseas									
natural persons	-	-	-	-	-	-	-	-	-
<b>II. Shares not subject to trading moratorium</b>	9,405,242,743	100.00	-	-	-	-1	-1	9,405,242,742	100.00
1. Renminbi ordinary shares	7,993,702,743	84.99	-	-	-	-1	-1	7,993,702,742	84.99
2. Domestically listed foreign investment shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign investment shares	1,411,540,000	15.01	-	-	-	-	-	1,411,540,000	15.01
4. Others	-	-	-	-	-	-	-	-	-
<b>III. Total shares</b>	<b>9,405,250,201</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>9,405,250,201</b>	<b>100.00</b>

## I. MOVEMENTS IN SHARES (CONTINUED)

### 1. Movements in Shares (Continued)

*Notes:*

- (1) Reasons for movement in share capital:

At the beginning of the year, China Securities Depository and Clearing Co., Ltd., Shenzhen Branch reviewed and determined the number of shares subject to trading moratorium held by Directors, Supervisors and senior management. Upon rounding up, the number of shares subject to trading moratorium held by Directors, Supervisors and senior management increased by one.

- (2) Approval of movement in share capital:

Applicable                      ✓ Not applicable

- (3) 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:

Applicable                      ✓ Not applicable

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

### I. MOVEMENTS IN SHARES (CONTINUED)

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

*Unit: Share*

Name of Shareholder	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	Reason for the trading moratorium	Date of release of the trading moratorium
Wang Yidong	7,458	1	-	7,459	At the beginning of the year, -	-
					China Securities Depository and Clearing Co., Ltd., Shenzhen Branch reviewed and determined the number of shares subject to trading moratorium held by Directors, Supervisors and senior management. Upon rounding up, the number of shares subject to trading moratorium held by Directors, Supervisors and senior management increased by one.	
Total	7,458	1	-	7,459	-	-

### II. ISSUANCE AND LISTING OF SECURITIES

Applicable

Not applicable

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

### III. 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 103,898 of which 505 were holders of H shares

Details of shareholders holding more than 5% of ordinary shares or top ten shareholders holding ordinary shares

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of ordinary shares held as at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of ordinary shares held subject to trading moratorium	Number of ordinary shares held not subject to trading moratorium	Shares pledged or frozen	
							Status of shares	Number
Anshan Iron & Steel Group Co. Ltd.	State-owned legal person	53.33%	5,016,111,529	0	-	5,016,111,529	-	-
HKSCC (Nominees) Limited	Overseas Legal person	14.85%	1,396,914,620	-1,279,186	-	1,396,914,620	-	-
China National Petroleum Corporation	State-owned legal person	8.98%	845,000,000	0	-	845,000,000	-	-
Power Construction Corporation of China	State-owned legal person	4.98%	468,000,000	0	-	468,000,000	-	-
Hong Kong Securities Clearing Company Limited	Overseas Legal person	1.04%	97,348,418	1,515,746	-	97,348,418	-	-
Central Huijin Asset Management Ltd.	State-owned legal person	1.00%	94,348,670	0	-	94,348,670	-	-
China Merchants Bank Co., Ltd. – Boshi Zhongzheng State-owned Enterprise Innovation-Driven Trading Open Type Index Security Investment Fund (招商銀行股份有限公司-博時中證央企創新驅動交易型開放式指數證券投資基金)	Other	0.23%	21,781,438	429,668	-	21,781,438	-	-

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

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

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of ordinary shares held as at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of ordinary shares held subject to trading moratorium	Number of ordinary shares held not subject to trading moratorium	Shares pledged or frozen	
							Status of shares	Number
Agricultural Bank Of China Limited – Zhongzheng 500 Trading Open Type Index Security Investment Fund (中國農業銀行股份有限公司 – 中證500交易型開放式指數證券投資基金)	Other	0.15%	14,177,148	14,177,148	–	14,177,148	–	–
Bank of China Limited – Jiabao Zhongzheng State-owned Enterprise Innovation-Driven Trading Open Type Index Security Investment Fund (中國銀行股份有限公司 – 嘉實中證央企創新驅動交易型開放式指數證券投資基金)	Other	0.15%	14,058,500	-7,293,270	–	14,058,500	–	–
#Liao Qiang (廖強)	Domestic natural person	0.15%	13,793,711	350	–	13,793,711	–	–

Explanations on the connected relationship or acting in concert 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 acting in concert as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

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

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

Top ten shareholders holding ordinary shares not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium as at the end of the Reporting Period		Type of share	Number
	Period	Type of share	Type of share	
Anshan Iron & Steel Group Co. Ltd.	5,016,111,529	Renminbi ordinary shares		5,016,111,529
HKSCC (Nominees) Limited	1,396,914,620	Overseas listed foreign shares		1,396,914,620
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	97,348,418	Renminbi ordinary shares		97,348,418
Central Huijin Asset Management Ltd.	94,348,670	Renminbi ordinary shares		94,348,670
China Merchants Bank Co., Ltd. – Boshi Zhongzheng State-owned Enterprise Innovation-Driven Trading Open Type Index Security Investment Fund (招商銀行股份有限公司 – 博時中證央企創新驅動交易型開放式指數證券投資基金)	21,781,438	Renminbi ordinary shares		21,781,438
Agricultural Bank Of China Limited – Zhongzheng 500 Trading Open Type Index Security Investment Fund (中國農業銀行股份有限公司 – 中證500交易型開放式指數證券投資基金)	14,177,148	Renminbi ordinary shares		14,177,148
Bank of China Limited – Jiabao Zhongzheng State-owned Enterprise Innovation-Driven Trading Open Type Index Security Investment Fund (中國銀行股份有限公司 – 嘉實中證央企創新驅動交易型開放式指數證券投資基金)	14,058,500	Renminbi ordinary shares		14,058,500
#Liao Qiang (廖強)	13,793,711	Renminbi ordinary shares		13,793,711

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

Explanations on the connected relationship or acting in concert among the top ten shareholders not subject to trading moratorium, and the top ten 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 acting in concert as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.
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Description of top ten shareholders holding ordinary shares –  
to participate in financing business (if any)

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

### IV. CHANGE TO CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the Reporting Period, there was no change to the controlling shareholder and the de facto controller of the Company.

### V. SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 30 June 2020, 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:

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

### V. SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Interests in ordinary shares of the Company as at 30 June 2020

Name of shareholder	Class of shares	Number of shares held (shares) <sup>Note 1</sup>	Percentage	Percentage	Percentage	Capacity
			of total share capital (%)	of total H Shares in issue (%)	of total domestic Shares in issue (%)	
Anshan Iron & Steel Group Co. Ltd.	A Shares	5,016,111,529(L)	53.33(L)	-	62.75(L)	Beneficial owner
China National Petroleum Corporation	A Shares	845,000,000(L)	8.98(L)	-	10.57(L)	Beneficial owner
Citigroup Inc.	H Shares	156,064,143(L)	1.66(L)	11.05(L)	-	Interest of corporation controlled by the substantial shareholder
		43,734,547(S)	0.47(S)	3.09(S)		
		112,186,718(P)	1.19(P)	7.94(P)		
Brown Brothers Harriman & Co.	H Shares	109,422,025(L)	1.16(L)	7.75(L)	-	Interest of corporation controlled by the substantial shareholder
		109,422,025(P)	1.16(P)	7.75(P)		
Power Construction Corporation of China	A Shares	468,000,000 (L)	4.98(L)	-	5.85(L)	Beneficial owner

Note 1: L-Long Position, S-Short Position, P-Lending Pool.

# Information on Directors, Supervisors and Senior Management

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

Name	Position	Current status of position	Sex	Commencement date of term	End date of term	No. of shares	No. of shares	No. of shares	No. of shares
						held at the beginning of the Reporting Period	increased in the Reporting Period	reduced in the Reporting Period	held at the end of the Reporting Period
						(share)	(share)	(share)	(share)
Wang Yidong	Chairman	In office	Male	2017.11.23	-	9,945	-	-	9,945
	Executive Director	In office		2013.07.08	-				
Li Zhen	General Manager	In office	Male	2020.03.27	-	0	-	-	0
	Executive Director	In office		2018.03.05	-				
Li Zhongwu	Executive Director	In office	Male	2020.03.16	-	0	-	-	0
	Deputy General Manager	In office		2019.12.30	-				
Ma Lianyang	Deputy General Manager, Chief Accountant, Joint Company Secretary (i.e. Company Secretary)	In office	Male	2018.01.10	-	0	-	-	0
	Executive Director	In office		2018.03.05	-				
Wu Dajun	Independent Non-executive Director	In office	Male	2016.06.08	-	0	-	-	0
Feng Changli	Independent Non-executive Director	In office	Male	2016.06.05	-	0	-	-	0
Wang Jianhua	Independent Non-executive Director	In office	Male	2019.05.28	-	0	-	-	0
Wang Wanglin	Independent Non-executive Director	In office	Male	2020.03.16	-	0	-	-	0
Wang Baojun	Chairman of Supervisory Committee	In office	Male	2020.03.16	-	0	-	-	0
Li Wenbing	Supervisor	In office	Male	2020.03.16	-	0	-	-	0
Yuan Peng	Supervisor	In office	Male	2016.06.08	-	0	-	-	0
Liu Jie	Deputy General Manager	In office	Male	2020.03.27	-	0	-	-	0
Meng Jinsong	Deputy General Manager	In office	Male	2020.03.30	-	0	-	-	0
Xiao Mingfu	Deputy General Manager	In office	Male	2020.03.27	-	0	-	-	0
Chen Chun	Joint Company Secretary (i.e. Company Secretary)	In office	Female	2017.10.20	-	0	-	-	0
Ma Weiguo	Independent Non-executive Director	Resigned	Male	2016.06.08	2020.2.24	0	-	-	0
Lu Yongli	Chairman of the Supervisory Committee	Resigned	Male	2019.05.28	2020.03.16	0	-	-	0
Liu Xiaohui	Supervisor	Resigned	Female	2016.06.08	2020.03.16	0	-	-	0
Xu Shishuai	Deputy General Manager	Resigned	Male	2016.06.30	2020.03.24	0	-	-	0

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

<b>Name</b>	<b>Position</b>	<b>Category</b>	<b>Date</b>	<b>Reason</b>
Ma Weiguo	Independent Non-Executive Director	Resigned	2020.02.24	Personal reasons
Lu Yongli	Supervisor, Chairman of Supervisory Committee	Resigned	2020.03.16	Change of job
Liu Xiaohui	Supervisor	Resigned	2020.03.16	Change of job
Xu Shishuai	Deputy General Manager	Resigned	2020.03.24	Change of job
Li Zhongwu	Director	Elected	2020.03.16	Election
Wang Wanglin	Independent Non-Executive Director	Elected	2020.03.16	Election
Wang Baojun	Supervisor, Chairman of Supervisory Committee	Elected	2020.03.16	Election
Li Wenbing	Supervisor	Elected	2020.03.16	Election
Li Zhen	General Manager	Appointed	2020.03.27	Appointment
Liu Jie	Deputy General Manager	Appointed	2020.03.27	Appointment
Xiao Mingfu	Deputy General Manager	Appointed	2020.03.27	Appointment

# Financial Report

## Consolidated Balance Sheet

As at 30 June 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2020	31 December 2019
<b>Current assets:</b>			
Cash and cash equivalents	6.1	<b>7,753</b>	4,671
Derivative financial assets	6.2	<b>2</b>	
Notes receivable	6.3	<b>227</b>	2,635
Accounts receivable	6.4	<b>1,944</b>	2,569
Accounts receivable financing	6.5	<b>2,063</b>	
Prepayments	6.6	<b>2,580</b>	3,405
Other receivables	6.7	<b>105</b>	100
Including: interests receivable	6.7		
Dividends receivable	6.7		
Inventories	6.8	<b>10,488</b>	9,793
Other current assets	6.9	<b>484</b>	319
<b>Total current assets</b>		<b>25,646</b>	23,492
<b>Non-current assets:</b>			
Long-term equity investments	6.10	<b>2,932</b>	2,894
Other investments in equity instruments	6.11	<b>483</b>	465
Other non-current financial assets	6.12	<b>26</b>	38
Fixed assets	6.13	<b>49,858</b>	50,966
Construction in progress	6.14	<b>2,002</b>	1,549
Right-of-use assets	6.15	<b>877</b>	162
Intangible assets	6.16	<b>6,080</b>	6,163
Deferred income tax assets	6.17	<b>1,151</b>	1,028
Other non-current assets	6.18	<b>781</b>	1,051
<b>Total non-current assets</b>		<b>64,190</b>	64,316
<b>Total assets</b>		<b>89,836</b>	87,808

## Financial Report (Continued)

### Consolidated Balance Sheet (Continued)

As at 30 June 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2020	31 December 2019
<b>Current liabilities:</b>			
Short-term loans	6.19	11,855	12,195
Notes payable	6.20	3,671	3,143
Accounts payable	6.21	5,774	5,424
Contract liabilities	6.22	5,101	4,896
Employee benefits payable	6.23	242	153
Tax payable	6.24	206	(3)
Other payables	6.25	1,949	2,530
Including: interests payable	6.25	10	9
Dividends payable	6.25		8
Non-current liabilities due within 1 year	6.26	1,303	1,003
<b>Total current liabilities</b>		<b>30,101</b>	29,341
<b>Non-current liabilities:</b>			
Long-term loans	6.27	3,988	3,392
Bonds payable	6.28	1,572	1,513
Lease liability	6.29	808	160
Long-term employee benefits payable	6.30	99	98
Deferred income	6.31	563	584
Deferred income tax liabilities	6.17	97	93
Other non-current liabilities	6.32	38	79
<b>Total non-current liabilities</b>		<b>7,165</b>	5,919
<b>Total liabilities</b>		<b>37,266</b>	35,260

# Financial Report (Continued)

## Consolidated Balance Sheet (Continued)

As at 30 June 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2020	31 December 2019
<b>Shareholders' equity:</b>			
Share capital	6.33	<b>9,405</b>	9,405
Capital reserve	6.34	<b>33,485</b>	33,485
Other comprehensive income	6.35	<b>(126)</b>	(139)
Special reserve	6.36	<b>91</b>	54
Surplus reserve	6.37	<b>3,723</b>	3,723
Undistributed profit	6.38	<b>5,515</b>	5,551
<b>Subtotal of Shareholders' equity attributable to shareholders of parent company</b>		<b>52,093</b>	52,079
<b>Minority interests</b>		<b>477</b>	469
<b>Total shareholders' equity</b>		<b>52,570</b>	52,548
<b>Total liabilities and shareholders' equity</b>		<b>89,836</b>	87,808

Legal representative:

**Yidong Wang**

Chief Accountant:

**Lianyong Ma**

Person-in-charge of the  
accounting department:

**Jin Gong**

## Financial Report (Continued)

### Consolidated Income Statement

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Operating income</b>		<b>44,650</b>	51,074
Including: operating income	6.39	<b>44,650</b>	51,074
<b>Operating costs</b>		<b>44,003</b>	49,423
Less: operating costs	6.39	<b>40,742</b>	45,962
Tax and surcharges	6.40	<b>479</b>	472
Marketing expenses	6.41	<b>1,533</b>	1,539
Administrative expenses	6.42	<b>592</b>	615
Research and development expenses	6.43	<b>155</b>	214
Financial expenses	6.44	<b>502</b>	621
Including: interests expenses	6.44	<b>474</b>	631
Interests revenue	6.44	<b>25</b>	22
Add: Other income	6.45	<b>29</b>	36
Investment income (“-” for losses)	6.46	<b>88</b>	75
Including: income from investment in jointly ventures and associates	6.46	<b>85</b>	70
Gains/losses from fair value variation (“-” for losses)	6.47	<b>31</b>	29
Impairment losses on assets (“-” for losses)	6.48	<b>(156)</b>	97
Credit impairment loss (“-” for losses)	6.49		(27)
Asset disposal income (“-” for losses)	6.50		1
<b>Operating profit (“-” for losses)</b>		<b>639</b>	1,862
Add: Non-operating income	6.51	<b>21</b>	12
Less: Non-operating expenses	6.52	<b>42</b>	28
<b>Profit before income tax (“-” for losses)</b>		<b>618</b>	1,846
Less: Income tax expenses	6.53	<b>115</b>	422

# Financial Report (Continued)

## Consolidated Income Statement (Continued)

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Net profit for the period (“-” for losses)</b>		<b>503</b>	1,424
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		<b>503</b>	1,424
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		<b>500</b>	1,425
ii. Minority interest income		<b>3</b>	(1)
<b>The net amount after tax of other comprehensive income</b>		<b>13</b>	(83)
Net after-tax net of other comprehensive income attributable to the parent company owner	6.54	<b>13</b>	(83)
I. The other comprehensive income which can not be reclassified into profit or loss	6.54	<b>13</b>	(83)
i. Changes in fair value of other investments in equity instruments investment	6.54	<b>13</b>	(83)
II. The other comprehensive income which can be classified into profit or loss	6.54		
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		
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			

## Financial Report (Continued)

### Consolidated Income Statement (Continued)

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Total comprehensive income</b>		<b>516</b>	1,341
The other comprehensive income attributed to the owners of the company		<b>513</b>	1,342
The other comprehensive income attributed to the minority		<b>3</b>	(1)
<b>Earning per share:</b>			
Basic earning per share (RMB/share)	19.2	<b>0.053</b>	0.152
Diluted earning per share (RMB/share)	19.2	<b>0.053</b>	0.146

Legal representative:

**Yidong Wang**

Chief Accountant:

**Lianyong Ma**

Person-in-charge of the  
accounting department:

**Jin Gong**

# Financial Report (Continued)

## Consolidated Statement of Cash Flows

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		<b>45,755</b>	45,135
Refund of taxes and fares		<b>11</b>	88
Other cash received from operating activities	6.55	<b>52</b>	21
<b>Sub-total of cash inflows</b>		<b>45,818</b>	45,244
Cash paid for goods and services		<b>35,760</b>	35,769
Cash paid to and for the employees		<b>2,000</b>	2,150
Cash paid for all types of taxes		<b>1,242</b>	1,902
Other cash paid for operating activities	6.55	<b>2,037</b>	1,658
<b>Sub-total of cash outflows</b>		<b>41,039</b>	41,479
<b>Net cash flow from operating activities</b>	6.56	<b>4,779</b>	3,765

## Financial Report (Continued)

### Consolidated Statement of Cash Flows (Continued)

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Cash flows from investing activities:</b>			
Cash received from return of investments			
Cash received from investment income		<b>80</b>	189
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		<b>6</b>	2
Other cash received from investment activities	6.55	<b>36</b>	37
<b>Sub-total of cash inflows</b>		<b>122</b>	228
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		<b>1,378</b>	1,727
Cash paid for acquisition of investments		<b>14</b>	70
Other cash paid for investment activities	6.55	<b>10</b>	19
<b>Sub-total of cash outflows</b>		<b>1,402</b>	1,816
<b>Net cash flow from investing activities</b>		<b>(1,280)</b>	(1,588)

# Financial Report (Continued)

## Consolidated Statement of Cash Flows (Continued)

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Cash flows from financing activities:</b>			
Cash received from absorbing investments		5	
Including: Received of subsidiary from minority shareholders		5	
Cash received from borrowings		12,155	12,415
Other cash received from financing activities	6.55		33
<b>Sub-total of cash inflows</b>		<b>12,160</b>	12,448
Cash paid for settling of debts		11,599	12,896
Cash paid for distribution of dividends or profit and repayment of interests		936	2,018
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities	6.55	42	84
<b>Sub-total of cash outflows</b>		<b>12,577</b>	14,998
<b>Net cash flow from financing activities</b>		<b>(417)</b>	(2,550)

## Financial Report (Continued)

### Consolidated Statement of Cash Flows (Continued)

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
<b>Net increase in cash and cash equivalents</b>	6.56	<b>3,082</b>	(373)
Add: Cash and cash equivalents at beginning of this period	6.56	<b>4,671</b>	2,154
<b>Cash and cash equivalents at the end of this period</b>	6.56	<b>7,753</b>	1,781

Legal representative:

**Yidong Wang**

Chief Accountant:

**Lianyong Ma**

Person-in-charge of the accounting department:

**Jin Gong**

# Financial Report (Continued)

## Consolidated Statement of Changes in Shareholders' equity

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Shareholders' equity attributable to shareholders of the parent company									Total of shareholders' equity
	Share capital	Capital reserve	This period						Minority interests	
			Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
<b>Balance as at the end of last year</b>	9,405	33,485		(139)	54	3,723		5,551	469	52,548
Add: Changes of accounting policy										
Business combination under the common control										
Others										
<b>Balance as at the beginning of this period</b>	9,405	33,485		(139)	54	3,723		5,551	469	52,548
<b>Increase/decrease in this period ("-" represents loss)</b>				13	37			(36)	8	22
(1) Total amount comprehensive income				13				500	3	516
(2) Capital introduced or withdrawn by owners									5	5
i. Capital introduced by owners									5	5
ii. Capital introduced by other investments in equity instruments holders										
iii. Others										
(3) Profit distribution								(536)	(1)	(537)
i. Transfer to surplus reserve										
ii. Distribution to shareholders								(536)	(1)	(537)
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					37				1	38
i. Extracts of this period					61				1	62
ii. Usage of this period					(24)					(24)
<b>Balance as at the end of this period</b>	9,405	33,485		(126)	91	3,723		5,515	477	52,570

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

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Last year									Total of shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	
<b>Balance as at the end of last year</b>	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										
<b>Balance as at the beginning of this period</b>	7,235	35,655		(241)	49	3,628		5,636	503	52,465
<b>Increase/decrease in this period ("-" represents loss)</b>	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				(185)		
v. Others										
(5) Special reserve						5			1	6
i. Extracts of this period						120			2	122
ii. Usage of this period						(115)			(1)	(116)
<b>Balance as at the end of this period</b>	9,405	33,485		(139)	54	3,723		5,551	469	52,548

Legal representative:  
**Yidong Wang**

Chief Accountant:  
**Lianyong Ma**

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

# Financial Report (Continued)

## Balance Sheet

As at 30 June 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2020	31 December 2019
<b>Current assets:</b>			
Cash and cash equivalents		5,942	3,237
Derivative financial assets		2	
Notes receivable		145	2,200
Accounts receivable	16.1	2,421	2,760
Accounts receivable financing		1,526	
Prepayments		2,239	3,239
Other receivables	16.2	150	203
Including: interests receivable	16.2		
Dividends receivable	16.2		12
Inventories		7,290	7,308
Other current assets		181	
<b>Total current assets</b>		<b>19,896</b>	18,947
<b>Non-current assets:</b>			
Long-term equity investments	16.3	11,625	11,483
Other investments in equity instruments		483	465
Other non-current financial assets		26	38
Fixed assets		42,753	43,784
Construction in progress		1,820	1,319
Right-of-use assets		870	159
Intangible assets		5,647	5,725
Deferred income tax assets		1,069	887
Other non-current assets		752	1,022
<b>Total non-current assets</b>		<b>65,045</b>	64,882
<b>Total assets</b>		<b>84,941</b>	83,829

# Financial Report (Continued)

## Balance Sheet (Continued)

As at 30 June 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2020	31 December 2019
<b>Current liabilities:</b>			
Short-term loans		12,505	12,895
Derivative financial liabilities			
Notes payable		3,559	2,894
Accounts payable		4,925	4,700
Contract liabilities		3,453	3,660
Employee benefits payable		202	138
Tax payable		127	(69)
Other payables		1,743	2,356
Including: interests payable		6	4
Dividends payable			
Non-current liabilities due within 1 year		1,200	900
<b>Total current liabilities</b>		<b>27,714</b>	<b>27,474</b>
<b>Non-current liabilities:</b>			
Long-term loans		3,850	3,200
Bonds payable		1,572	1,513
Lease liability		802	157
Long-term employee benefits payable		95	95
Deferred income		427	446
Deferred income tax liabilities		96	93
Other non-current liabilities		38	79
<b>Total non-current liabilities</b>		<b>6,880</b>	<b>5,583</b>
<b>Total liabilities</b>		<b>34,594</b>	<b>33,057</b>

# Financial Report (Continued)

## Balance Sheet (Continued)

As at 30 June 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2020	31 December 2019
<b>Shareholders' equity:</b>			
Share capital		<b>9,405</b>	9,405
Capital reserve		<b>26,527</b>	26,527
Other comprehensive income		<b>(126)</b>	(139)
Special reserve		<b>42</b>	22
Surplus reserve		<b>3,713</b>	3,713
Undistributed profit		<b>10,786</b>	11,244
Subtotal of Shareholders' equity attributable to shareholders of parent company		<b>50,347</b>	50,772
Minority interests			
<b>Total shareholders' equity</b>		<b>50,347</b>	50,772
<b>Total liabilities and shareholders' equity</b>		<b>84,941</b>	83,829

Legal representative:  
**Yidong Wang**

Chief Accountant:  
**Lianyong Ma**

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

# Financial Report (Continued)

## Income Statement

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Operating income</b>		<b>41,547</b>	48,867
Including: operating income	16.4	<b>41,547</b>	48,867
<b>Operating costs</b>		<b>41,435</b>	48,023
Less: operating costs	16.4	<b>38,571</b>	44,973
Tax and surcharges		<b>414</b>	403
Marketing expenses		<b>1,293</b>	1,288
Administrative expenses		<b>512</b>	540
Research and development expenses		<b>150</b>	214
Financial expenses		<b>495</b>	605
Including: interests expenses		<b>461</b>	610
Interests revenue		<b>18</b>	17
Add: Other income		<b>24</b>	32
Investment income			
("-" for losses)	16.5	<b>91</b>	386
Including: income from investment in jointly ventures and associates	16.5	<b>84</b>	69
Gains/losses from fair value variation ("-" for losses)		<b>31</b>	29
Impairment losses on assets ("-" for losses)		<b>(155)</b>	100
Credit impairment loss ("-" for losses)			(27)
Asset disposal income ("-" for losses)			
<b>Operating profit ("-" for losses)</b>		<b>103</b>	1,364
Add: Non-operating income		<b>20</b>	5
Less: Non-operating expenses		<b>42</b>	10

# Financial Report (Continued)

## Income Statement (Continued)

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Profit before income tax (“-” for losses)</b>		<b>81</b>	1,359
Less: Income tax expenses		<b>3</b>	220
<b>Net profit for the period (“-” for losses)</b>		<b>78</b>	1,139
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		<b>78</b>	1,139
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		<b>78</b>	1,139
ii. Minority interest income			
<b>The net amount after tax of other comprehensive income</b>		<b>13</b>	(83)
Net after-tax net of other comprehensive income attributable to the parent company owner		<b>13</b>	(83)
I. The other comprehensive income which can not be reclassified into profit or loss		<b>13</b>	(83)
i. Changes in fair value of other investments in equity instruments investment		<b>13</b>	(83)

# Financial Report (Continued)

## Income Statement (Continued)

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
II. The other comprehensive income which can be classified into profit or loss			
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			
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			
<b>Total comprehensive income</b>		<b>91</b>	1,056
The other comprehensive income attributed to the owners of the company		<b>91</b>	1,056
The other comprehensive income attributed to the minority			

Legal representative:

**Yidong Wang**

Chief Accountant:

**Lianyong Ma**

Person-in-charge of the accounting department:

**Jin Gong**

# Financial Report (Continued)

## Statement of Cash Flows

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		<b>42,585</b>	43,736
Refund of taxes and fares			85
Other cash received from operating activities		<b>80</b>	23
<b>Sub-total of cash inflows</b>		<b>42,665</b>	43,844
Cash paid for goods and services		<b>33,499</b>	36,257
Cash paid to and for the employees		<b>1,733</b>	1,873
Cash paid for all types of taxes		<b>1,026</b>	1,510
Other cash paid for operating activities		<b>2,002</b>	1,723
<b>Sub-total of cash outflows</b>		<b>38,260</b>	41,363
<b>Net cash flow from operating activities</b>		<b>4,405</b>	2,481
<b>Cash flows from investing activities:</b>			
Cash received from return of investments			
Cash received from investment income		<b>96</b>	498
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		<b>37</b>	221
Other cash received from investment activities		<b>29</b>	32
<b>Sub-total of cash inflows</b>		<b>162</b>	751

## Financial Report (Continued)

### Statement of Cash Flows (Continued)

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		1,274	1,675
Cash paid for acquisition of investments		119	70
Other cash paid for investment activities		10	19
<b>Sub-total of cash outflows</b>		<b>1,403</b>	1,764
<b>Net cash flow from investing activities</b>		<b>(1,241)</b>	(1,013)
<b>Cash flows from financing activities:</b>			
Cash received from borrowings		12,205	12,795
Other cash received from financing activities		5	69
<b>Sub-total of cash inflows</b>		<b>12,210</b>	12,864
Cash paid for settling of debts		11,645	12,815
Cash paid for distribution of dividends or profit and repayment of interests		934	2,013
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities		90	
<b>Sub-total of cash outflows</b>		<b>12,669</b>	14,828
<b>Net cash inflow from financing activities</b>		<b>(459)</b>	(1,964)

# Financial Report (Continued)

## Statement of Cash Flows (Continued)

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
<b>Net increase in cash and cash equivalents</b>		<b>2,705</b>	(496)
Add: Cash and cash equivalents at beginning of this period		<b>3,237</b>	1,125
<b>Cash and cash equivalents at the end of this period</b>		<b>5,942</b>	629

Legal representative:

**Yidong Wang**

Chief Accountant:

**Lianyong Ma**

Person-in-charge of the accounting department:

**Jin Gong**

# Financial Report (Continued)

## Statement of Changes in Shareholders' equity

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	This period									Total of shareholders' equity
	Shareholders' equity attributable to shareholders of the parent company									
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	
<b>Balance as of 31 Dec. 2018</b>	9,405	26,527		(139)	22	3,713		11,244		50,772
Add: Changes of accounting policy										
Business combination under the common control										
Others										
<b>Balance as of 1 Jan. 2019</b>	9,405	26,527		(139)	22	3,713		11,244		50,772
<b>Increase/decrease in 2019 ("-" represents loss)</b>				13	20			(458)		(425)
(1) Total amount comprehensive income				13				78		91
(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								(536)		(536)
i. Transfer to surplus reserve										
ii. Distribution to shareholders								(536)		(536)
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					20					20
i. Extracts of this period					40					40
ii. Usage of this period					(20)					(20)
<b>Balance as of 31 Dec. 2019</b>	9,405	26,527		(126)	42	3,713		10,786		50,347

# Financial Report (Continued)

## Statement of Changes in Shareholders' equity (Continued)

For the six months Ended June 30, 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Last year										Total of shareholders' equity
	Shareholders' equity attributable to shareholders of the parent company										
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests		
<b>Balance as of 31 Dec. 2017</b>	7,235	28,697		(241)	19	3,618		12,165			51,493
Add: Changes of accounting policy											
Business combination under the common control											
Others											
<b>Balance as of 1 Jan. 2018</b>	7,235	28,697		(241)	19	3,618		12,165			51,493
<b>Increase/decrease in 2018(" " represents loss)</b>	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	(1,667)		(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)
<b>Balance as of 31 Dec. 2018</b>	9,405	26,527		(139)	22	3,713		11,244			50,772

Legal representative:  
**Yidong Wang**

Chief Accountant:  
**Lianyong Ma**

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

# Financial Report (Continued)

## Notes to the Financial Report

30 June 2020 (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 28 August, 2020.

For detail information about subsidiaries that have been included in the scope of consolidation by the end of current period, please refer to Note 8 Interests In Other Entities. Two new subsidiaries was added to the scope of consolidation this period. 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 June 30, 2020, 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

### **2. BASIC PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)**

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

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

The Group declares that the Financial Report prepared by the Group is in compliance with requirements of Accounting Standards for Business Enterprise. These financial statements present truly, accurately and completely the financial position of the Group as of June 30, 2020, the financial performance and cash flow of the Group for the six months ended June 30, 2020. 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 to December 31.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### **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.

##### 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 (Continued)

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

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

##### 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

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

#### **4.5 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### **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.

Financial Report (Continued)  
Notes to the Financial Report (Continued)

*30 June 2020 (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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 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.

The Group measures financial assets at amortised cost if both of the following conditions are met: ① the financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; ② the 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.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
*30 June 2020 (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 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

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.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
*30 June 2020 (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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

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.

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, contract 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

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

In addition to the above items, the Group measured the other items in the following situations for their impairment provision: ①For 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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:①The debtor's failure to pay the principal and interest on the contractual maturity date;②Serious deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected;③Serious deterioration of the debtor's operating results that have occurred or are expected;④Changes 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 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.

##### 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

##### 4.9.1.5 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

##### 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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

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.

###### 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

##### 4.9.2.4 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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(e.g. interest rate, price of a commodity, or price of a financial instrument). The contract is classified as a financial liability.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

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".

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
*30 June 2020 (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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 the long-term equity investment obtained by business combination not under common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control over the acquiree. The direct cost for the business combination incurred by the acquirer, including the expenses for audit, valuation, legal services and other administrative expenses, shall be recorded into the profit or loss for the current period.

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

Financial Report (Continued)  
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*30 June 2020 (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

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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

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### **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

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

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### 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.

### **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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

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### **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 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.

Financial Report (Continued)  
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**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”.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

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

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

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

#### **4.13 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".

Financial Report (Continued)  
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*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

**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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

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

#### 4.14 Borrowing costs (Continued)

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.

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.

Financial Report (Continued)  
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**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

**4.15 Intangible assets (Continued)**

4.15.1 Intangible assets (Continued)

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

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, otherwise, it will be recognized as an expense:

- (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;

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

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### 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.

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**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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### **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.

#### **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.

Financial Report (Continued)  
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**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

**4.18 Revenue (Continued)**

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;
- ② Customers are able to control the good under construction by the Group;

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

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

#### 4.18 Revenue (Continued)

- 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.

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

**4.18 Revenue (Continued)**

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.

**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.

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

#### 4.19 Government grants (Continued)

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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 4.19 Government grants (Continued)

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

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### **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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

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.

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

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

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

#### 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.

##### 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

###### 4.21.1.1 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

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

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

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.

##### 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 4.21 Leases (Continued)

##### 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### **4.24 Changes of significant accounting policies and estimates**

4.24.1 There is no changes in accounting policies for this period.

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 period errors for the period.

#### **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:

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

**4.26 Significant accounting judgments and estimates. (Continued)**

4.26.1 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.

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 (Continued)

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.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
*30 June 2020 (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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### **4.26 Significant accounting judgments and estimates. (Continued)**

##### 4.26.7 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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%
Corporate 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, the current period refers to the six months ended June 30, 2020, last period refers to the six months ended June 30, 2019.

#### 6.1 Cash and cash equivalents

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Cash		
Bank deposits	<b>7,581</b>	4,504
Other cash balance	<b>172</b>	167
<b>Total</b>	<b>7,753</b>	4,671

#### 6.2 Derivative financial assets

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Future contracts	<b>2</b>	
<b>Total</b>	<b>2</b>	

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

### 6.3 Notes receivable

#### 6.3.1 Classification of notes receivable

Items	30 June 2020			31 December 2019		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank Acceptance Notes	227		227	2,635		2,635
Commercial Acceptance Notes						
<b>Total</b>	<b>227</b>		<b>227</b>	2,635		2,635

#### 6.3.2 Notes receivable of the Company pledged as of 30 June 2020

Items	Pledged Notes by End of 30 June 2020
Bank Acceptance Notes	17
<b>Total</b>	<b>17</b>

*Note:* The group has pledged notes receivable which values RMB17 million to the bank to gain the notes payable of RMB17 million, of which the pledge period is from January 2020 to December 2020.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.3 Notes receivable (Continued)

6.3.3 Notes receivable transferred to accounts receivable due to insolvency of the issuer as of 30 June 2020.

<b>Items</b>	<b>Amount transferred to accounts receivable at the end of the period</b>
Bank Acceptance Notes	<b>953</b>
Commercial Acceptance Notes	
Total	<b>953</b>

6.3.4 The aging of the notes receivable at the end of the period

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

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (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	30 June 2020				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,035	43.74	419	40.48	616
Account receivable for which bad debt is prepared based on group combination	1,331	56.26	3	0.23	1,328
including: Risk-free group combination	291	12.30			291
Risk group combination on the basis of aging-matrix	1,040	43.96	3	0.29	1,037
<b>Total</b>	<b>2,366</b>	<b>100.00</b>	<b>422</b>	<b>17.84</b>	<b>1,944</b>

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	1,039	34.74	419	40.33	620
Account receivable for which bad debt is prepared based on group combination	1,952	65.26	3	0.15	1,949
including: Risk-free group combination	700	23.40			700
Risk group combination on the basis of aging-matrix	1,252	41.86	3	0.24	1,249
<b>Total</b>	<b>2,991</b>	<b>100.00</b>	<b>422</b>	<b>14.11</b>	<b>2,569</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	30 June 2020			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
A financial Co., Ltd	605	306	50.58	Notes overdue
B financial Co., Ltd	265	19	7.17	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	100.00	The company has gone into liquidation
Total	1,035	419	-	-

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.4 Accounts receivable (Continued)**

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

Aging	30 June 2020			31 December 2019		
	Book Value	Bad Debt Provision	Percentage (%)	Book Value	Bad Debt Provision	Percentage (%)
Within 1 year	1,030			1,243		
1 to 2 years	4		28.8	2		28.8
2 to 3 years			44.9	5	2	44.9
3 to 4 years	5	2	67.3	1		67.3
4 to 5 years			67.3			67.3
Over 5 years	1	1	100.0	1	1	100.0
Total	1,040	3	-	1,252	3	-

6.4.4 Accounts Receivable classified by aging

Aging	30 June 2020	31 December 2019
Within 1 year	2,086	2,844
1 to 2 years	141	15
2 to 3 years	11	14
3 to 4 years	17	17
4 to 5 years	32	32
Over 5 years	79	69
Total	2,366	2,991

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 (Continued)

*Note:* In the above analysis, the aging of accounts receivable (RMB953 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 2019	Increase/Decrease		30 June 2020
		Bad debt provision	Resale or Reverse verification	
Accounts Receivable	422			422

##### 6.4.6 Accounts receivable written off this period

Accounts receivable not written off in the current period.

##### 6.4.7 The condition of accounts receivable of the top five debtors by the balances as of 30 June 2020

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB1,457 million as of 30 June 2020, which accounted for 61.58% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB325 million at 30 June 2020.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

**6.4 Accounts receivable (Continued)**

6.4.8 Accounts receivable derecognized resulting from transfer of financial assets

In 2019, the Group transferred the accounts receivable of RMB888 million without recourse, and the related expenses of derecognition occurred in the current period of RMB1 million.

**6.5 Accounts receivable financing**

6.5.1 Classification of Accounts Receivable Financing

Items	30 June 2020			31 December 2019		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank Acceptance Notes	2,063		2,063			
Commercial Acceptance Notes						
<b>Total</b>	<b>2,063</b>		<b>2,063</b>			

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.5 Accounts receivable financing (Continued)

6.5.2 Accounts Receivable Financing of the Company pledged as of 30 June 2020

<b>Items</b>	<b>Pledged Notes by End of 30 June 2020</b>
Bank Acceptance Notes	<b>80</b>
Total	<b>80</b>

*Note:* The group has pledged notes receivable which values RMB80 million to the bank to gain the notes payable of RMB80 million, RMB9 million of which the pledge period is from June 2020 to September 2020 and RMB71 million of which the pledge period is from January 2020 to December 2020.

6.5.3 Accounts Receivable Financing that have been endorsed or discounted and have not expired at the end of 30 June 2020

<b>Items</b>	<b>Amount of Termination Confirmation</b>	Amount of Non- termination Confirmation
Bank Acceptance Notes	<b>10,766</b>	
Total	<b>10,766</b>	

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

### 6.6 Prepayments

#### 6.6.1 Prepayments classified by aging

Items	30 June 2020		31 December 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	2,483	96.24	3,332	97.85
1 to 2 years	95	3.68	68	2.00
2 to 3 years			5	0.15
Over 3 years	2	0.08		
<b>Total</b>	<b>2,580</b>	<b>100.00</b>	<b>3,405</b>	<b>100.00</b>

#### 6.6.2 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 RMB1,840 million in total, accounting for 71.32% of the prepayment balance on 30 June 2020.

### 6.7 Other receivables

Items	30 June 2020	31 December 2019
Dividends receivable		
Other receivables	105	100
<b>Total</b>	<b>105</b>	<b>100</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.7 Other receivables (Continued)

6.7.1 The condition of other receivables

6.7.1.1 Classification of other receivables

Items	30 June 2020				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	7.83	9	100.00	
Other receivables for which bad debt is prepared based on group combination	106	92.17	1	0.94	105
Including: Risk-free group combination	1	0.87			1
Risk group combination on the basis of aging-matrix	105	91.30	1	0.95	104
Total	115	100.00	10	8.70	105

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

#### 6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.1 Classification of other receivables (Continued)

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	1.00	99
<b>Total</b>	<b>110</b>	<b>100.00</b>	<b>10</b>	<b>9.09</b>	<b>100</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.2 Other receivables classified by nature

<b>Type</b>	<b>30 June 2020</b>	31 December 2019
Petty cash	<b>6</b>	5
The service fee of land acquisition	<b>9</b>	9
The remaining factoring receivable	<b>92</b>	92
Others	<b>8</b>	4
<b>Total</b>	<b>115</b>	110

6.7.1.3 Other receivables classified by aging

<b>Aging</b>	<b>30 June 2020</b>	31 December 2019
Within 1 year	<b>101</b>	97
1 to 2 years	<b>1</b>	
2 to 3 years		1
3 to 4 years		3
4 to 5 years	<b>4</b>	
Over 5 years	<b>9</b>	9
<b>Total</b>	<b>115</b>	110

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.7 Other receivables (Continued)**

6.7.1 The condition of other receivables (Continued)

6.7.1.4 The accrual condition of bad debt provision

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 2020		1	9	10
Bad debt provision				
Reverse				
Resale or verification				
Write off				
Other changes				
Balance at 30 June 2020		1	9	10

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.5 Bad debt provision at the end of the period

Type	31 December 2019	Increase/Decrease			30 June 2020
		Bad debt provision	Withdraw or reverse	Resale or written off	
Other receivables	10				10

6.7.1.6 Other receivables subject to separate assessment for bad debts provision

Debtors	Book Value	30 June 2020		
		Bad Debt Provision	Percentage (%)	Reason
Land acquisition service station of Chaoyang City	9	9	100	Less likely to recover
Total	9	9	-	-

6.7.1.7 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 RMB104 million at 30 June 2020, which accounted for 90.43% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB9 million.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.8 Inventory**

6.8.1 Classification of Inventory

Items	30 June 2020		
	Book Value	Inventory falling Price Reserves	Carrying Value
Raw materials	2,404	83	2,321
Work in progress	3,110	429	2,681
Finished goods	3,547	111	3,436
Goods shipped in transit			
Revolving materials	728	2	726
Spare parts	1,166	42	1,124
Materials in transit	176		176
Work in progress– outsourced	24		24
<b>Total</b>	<b>11,155</b>	<b>667</b>	<b>10,488</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.8 Inventory (Continued)

##### 6.8.1 Classification of Inventory (Continued)

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
<b>Total</b>	<b>10,312</b>	<b>519</b>	<b>9,793</b>

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.8 Inventory (Continued)**

6.8.2 Changes in Inventory falling price reserves

Items	31 December 2019	Increment of the year	Decrement of the year	30 June 2020
		Inventory falling price reserves	Written Back	
Raw materials	46	49	12	<b>83</b>
Work in progress	334	102	7	<b>429</b>
Finished goods	88	48	25	<b>111</b>
Revolving materials	8		6	<b>2</b>
Spare parts	43		1	<b>42</b>
<b>Total</b>	<b>519</b>	<b>199</b>	<b>51</b>	<b>667</b>

*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 period. 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.

**6.9 Other current assets**

Items	30 June 2020	31 December 2019
The amount of input tax to be deducted and certified	<b>111</b>	103
Input tax retained	<b>373</b>	216
<b>Total</b>	<b>484</b>	319

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.10 Long-term equity investments

Details of long-term equity investments

The invested entity	31 December 2019	Increase/Decrease			
		Increase	Decrease	Investment income under the equity method	Other comprehensive
<b>Jointly venture</b>					
TKAS Auto Steel Company Limited ("ANSC-TKS")	586			45	
The Iron and Steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. ("ANSC – Dachuan")	228			(5)	
Guangzhou Automotive Steel Company Limited ("Guangzhou Automotive Steel")	330			(6)	
Sub-total	1,144			34	
<b>Associated venture</b>					
Angang Group Finance Co., Ltd. ("Angang Finance")	1,397			58	
Anshan Iron Oxide Powder Co., Ltd. ("Iron oxide powder company")	3			1	
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	68			(1)	
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	110			(2)	
Guangzhou Bao Steel Processing Co. ("Guangzhou steel")	101			(4)	
Meizhou GAC Automobile Spring Co., Ltd. ("Meizhou Motor Company")	36	14		(2)	
Chaoyang Zhong'an Water Co., Ltd. ("Zhong'an Water")	35			1	
Sub-total	1,750	14		51	
Total	2,894	14		85	

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

#### 6.10 Long-term equity investments (Continued)

Details of long-term equity investments (Continued)

The Invested Entity	Increase/Decrease				Closing Value	Closing Value of the Provision for Impairment
	Other Equity Changes	Declaration of Cash Dividends or Profits	Provision for impairment Loss	Others		
<b>Jointly venture</b>						
ANSC-TKS		74		15	572	
ANSC – Dachuan					223	
Guangzhou Automotive Steel				2	326	
Sub-total		74		17	1,121	
<b>Associated venture</b>						
Angang Finance					1,455	
Iron oxide powder company					4	
Nansha Logistical					67	
AISSG					108	
Guangzhou steel		4			93	
Meizhou Motor Company					48	
Zhong'an Water					36	
Sub-total		4			1,811	
Total		78		17	2,932	

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.11 Other investments in equity instruments

##### 6.11.1 Details of other investments in equity instruments

The Invested Entity	Book Balance	
	30 June 2020	31 December 2019
Anshan Falan Packing Material Co. Ltd. (hereinafter referred to as "AnshanFalan")	24	24
Dalian Shipbuilding Industry Co., Ltd Shipyard Company (hereinafter referred to as "Dalian Shipyard")	14	14
Dalian Shipbuilding Industry Group Steel Co., Ltd (hereinafter referred to as "Dalian Steel")		
Jindian(Hangzhou) Technology Co., Ltd. (hereinafter referred to as "Jindian")	1	1
Changsha Baosteel steel processing & Distribution Co., Ltd. (hereinafter referred to as "Changsha steel")	11	12
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")	4	5
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. (hereinafter referred to as "Guoqi Lightweight")	3	3
WISDRI Engineering & Research Incorporation Limited Company (hereinafter referred to as "WISDRI")	390	373
Heilongjiang Longmay Mining Group Co.,Ltd.(hereinafter referred to as "Longmay Group")	34	31
<b>Total</b>	<b>483</b>	<b>465</b>

Financial Report (Continued)  
Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.11 Other investments in equity instruments (Continued)**

6.11.2 Analysis of other investments in equity instruments

<b>Items</b>	<b>30 June 2020</b>
Stock investment including: Hongkong Mainland China	
Non-stock investment	<b>483</b>
Total	<b>483</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.11 Other investments in equity instruments (Continued)

##### 6.11.3 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 changes of their value are recorded in other comprehensive income.)	Reason(other comprehensive income transfer to retained earnings)
Anshan Falan	2	3				
Dalian Shipyard			(137)			
Dalian Steel			(69)			
Jindian			(1)			
Changsha steel			(6)			
Shanghai Ouye						
China Shipbuilding			(6)			
Guoqi Lightweight WISDRI"		256				
Longmay Group			(211)			
Total	2	259	(430)			

*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.

Financial Report (Continued)  
Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

**6.12 Other non-current financial assets**

<b>The Invested Entity</b>	<b>Book Value</b>	
	<b>30 June 2020</b>	31 December 2019
Zhuzhou Smelter Group Co., Ltd.(hereinafter referred to as "ZhuYe Group")	<b>26</b>	38
<b>Total</b>	<b>26</b>	38

*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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.13 Fixed assets

##### 6.13.1 Analysis of fixed assets

Items	Houses and Buildings	Machineries and Equipment	Others	Total
<b>Original Cost</b>				
1. Balance at 31 December 2019	32,811	82,159	6,108	121,078
2. Increase in the period	140	525	48	713
① Purchase			1	1
② Transform from projects under construction	116	536	64	716
③ Increase from business combination				
④ Others	24	(11)	(17)	(4)
3. Decrease in the period	16	224	15	255
① Disposal or scrap	16	219	15	250
② Others		5		5
4. 30 June 2020	32,935	82,460	6,141	121,536
<b>Accumulated depreciation</b>				
1. 31 December 2019	12,193	49,681	5,040	66,914
2. Increase in current period	371	1,304	100	1,775
① Depreciation for current period	373	1,300	99	1,772
② Increase from business combination				
③ Others	(2)	4	1	3
3. Decrease in current period	13	172	24	209
① Disposal or scrap	13	172	24	209
② Others				
4. Balance at 30 June 2020	12,551	50,813	5,116	68,480

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.13 Fixed assets (Continued)**

6.13.1 Analysis of fixed assets (Continued)

Items	Houses and Buildings	Machineries and Equipment	Others	Total
<b>Provision for impairment</b>				
1. Balance at 31 December 2019	528	2,525	145	3,198
2. Increase				
① Provision for current period				
② Others				
3. Decrease				
① Dispose or scrap				
② Others				
4. 30 June 2020	528	2,525	145	3,198
<b>Book Value</b>				
1. 30 June 2020	19,856	29,122	880	49,858
2. 31 December 2019	20,090	29,953	923	50,966

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.13 Fixed assets (Continued)

##### 6.13.2 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	

##### 6.13.3 Fixed assets leased out by operating lease

Type	30 June 2020	31 December 2019
Houses and buildings	20	20
Machineries and Equipments	6	6
Total	26	26

#### 6.14 Construction in progress

Items	30 June 2020	31 December 2019
Construction in progress	1,806	1,543
Construction materials	196	6
Total	2,002	1,549

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.14 Construction in progress (Continued)**

6.14.1 Construction in progress

6.14.1.1 Details of constructions in progress

Items	30 June 2020			31 December 2019		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
Overhaul of 2 # blast furnace of Iron mill	81		81			
Overhaul and transformation project of 1 # billet caster of No.1 Branch of Steel mill of Angang Steel Company	65		65	20		20
Steel Smart Logistics Phase I (Metallurgical conveyance)Project	44		44	42		42
Upgrading project of 4 #, 5 # slab casting machine of No. 2 Branch of Steel mill	44		44	35		35
New 40,000 tons/year needle coke project of Chemical Industry Department	43		43	39		39
Coal gasification project	43		43	40		40
Reconstruction project of adding activated carbon flue gas desulfurization and denitration equipment in West District of Iron mill	39		39			
Coal Blending Silo environmental Project in Anshan Steel's Bayuquan	27		27			
Expansion project of 3800mm production line project of finished product warehouse in Anshan Steel's Bayuquan	20		20			
Others	1,406	6	1,400	1,373	6	1,367
<b>Total</b>	<b>1,812</b>	<b>6</b>	<b>1,806</b>	<b>1,549</b>	<b>6</b>	<b>1,543</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.14 Construction in progress (Continued)

##### 6.14.1 Construction in progress (Continued)

##### 6.14.1.2 Changes in major constructions in progress

Items	Items Budget	31 December 2019	Increase of the period	Transferred into fixed assets	Other decrease	30 June 2020
Overhaul of 2 # blast furnace of Iron mill	160		81			81
Overhaul and transformation project of 1 # billet caster of No.1 Branch of Steel mill of Angang Steel Company	135	20	45			65
Steel Smart Logistics Phase I(Metallurgical conveyance)Project	53	42	2			44
Upgrading project of 4 #, 5 # slab casting machine of No. 2 Branch of Steel mill	112	35	9			44
New 40,000 tons/year needle coke project of Chemical Industry Department	458	39	4			43
Coal gasification project	393	40	3			43
Reconstruction project of adding activated carbon flue gas desulfurization and denitration equipment in West District of Iron mill	361		39			39
Coal Blending Silo environmental Project in Anshan Steel's Bayuquan	480		27			27
Expansion project of 3800mm production line project of finished product warehouse in Anshan Steel's Bayuquan	37		20			20
Others	8,705	1,367	759	716	10	1,400
Total		1,543	989	716	10	1,806

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.14 Construction in progress (Continued)**

6.14.1 Construction in progress (Continued)

6.14.1.2 Changes in major constructions in progress (Continued)

Items	Accumulated capitalized borrowing cost	Of Which: Capitalized this Period	Capitalization Rate (%)	Expenditure Over Budget (%)	Project Progress (%)	Resource of Fund
Overhaul of 2 # blast furnace of Iron mill					51	Self-financing
Overhaul and transformation project of 1 # billet caster of No.1 Branch of Steel mill of Angang Steel Company	2	1			48	Self-financing
Steel Smart Logistics Phase I (Metallurgical conveyance)Project					84	Self-financing
Upgrading project of 4 #, 5 # slab casting machine of No. 2 Branch of Steel mill					39	Self-financing
New 40,000 tons/year needle coke project of Chemical Industry Department					87	Self-financing and government financing
Coal gasification project					84	Self-financing
Reconstruction project of adding activated carbon flue gas desulfurization and denitration equipment in West District of Iron mill					19	Self-financing
Coal Blending Silo environmental Project in Anshan Steel's Bayuquan					95	Self-financing
Expansion project of 3800mm production line project of finished product warehouse in Anshan Steel's Bayuquan					54	Self-financing
Others	18	4				Self-financing
<b>Total</b>	<b>20</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.14 Construction in progress (Continued)

##### 6.14.1 Construction in progress (Continued)

##### 6.14.1.3 Provision of Impairment

Items	31 December 2019	Increase in	Decrease in	30 June 2020
		Current Period Impairment Recognized	Current Period Reversal	
Chaoyang Iron and Steel Hot Rolling Pickling Board Production Line Project	6			6
Total	6			6

##### 6.14.2 Construction materials

Items	30 June 2020	31 December 2019
Special material		
Special equipment	196	6
Total	196	6

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

#### 6.15 Right-of-use assets

Items	Land Use Right	Machineries and Equipment	Total
<b>Original Cost</b>			
1. Balance at 31 December 2019	239	3	242
2. Increase in the period		778	778
① Lease		778	778
② Increase from business combination			
③ Others			
3. Decrease in the period			
① Disposal			
② Decrease from business combination			
4. Balance at 30 June 2020	239	781	1,020
<b>Accumulated depreciation</b>			
1. Balance at 31 December 2019	80		80
2. Increase in current period	40	23	63
① Depreciation for current period	40	23	63
② Increase from business combination			
3. Decrease in current period			
① Disposal			
② Decrease from business combination			
4. Balance at 30 June 2020	120	23	143
<b>Provision for impairment</b>			
1. Balance at 31 December 2019			
2. Increase			
Provision for current period			
3. Decrease			
Disposal			
4. Balance at 30 June 2020			
<b>Book Value</b>			
1. 30 June 2020	119	758	877
2. 31 December 2019	159	3	162

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.16 Intangible assets

Items	Land Use Right	Non-Patented Technology	Software	Trademark Right	Total
<b>Original Cost</b>					
1. 31 December 2019	8,319	42	101	5	8,467
2. Increase			10		10
① Purchase			10		10
② Internal R&D					
③ Enterprise merger					
④ Others					
3. Decrease:			1		1
① Disposition			1		1
② Enterprise merger					
4. 30 June 2020	8,319	42	110	5	8,476
<b>Accumulative amortization</b>					
1. 31 December 2019	2,189	42	68	5	2,304
2. Increase	84		9		93
① Counting and Drawing	84		9		93
② Enterprise merger					
3. Decrease			1		1
① Disposition			1		1
② Enterprise merger					
4. 30 June 2020	2,273	42	76	5	2,396
<b>Provision for impairment</b>					
1. 31 December 2019					
2. Increase:					
① Counting and Drawing					
3. Decrease					
① Disposition					
4. 30 June 2020					
<b>Book value</b>					
1. 30 June 2020	6,046		34		6,080
2. 31 December 2019	6,130		33		6,163

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.17 Deferred income tax assets and deferred income tax liabilities**

6.17.1 Recognized deferred income tax assets

Items	30 June 2020		31 December 2019	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Provision for impairment	244	976	244	976
Deductible loss	544	2,176	417	1,668
Unrealized inter-group profit	48	192	45	180
Termination benefits	34	135	43	173
Accumulated depreciation of fixed assets	33	132	33	132
Salaries payable	8	33	8	33
Employee training expenses	9	36	9	36
Deferred income	112	448	112	448
Profit or loss arising from fair value changes of other investments in equity instruments	107	428	108	430
Changes for fair value of financial assets (liabilities) held for trade	3	12		
Others	9	36	9	36
<b>Total</b>	<b>1,151</b>	<b>4,604</b>	<b>1,028</b>	<b>4,112</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.17 Deferred income tax assets and deferred income tax liabilities (Continued)

##### 6.17.2 Recognized deferred income tax liabilities

Items	30 June 2020		31 December 2019	
	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	32	128
Profit or loss arising from fair value changes of other investments in equity instruments	65	259	60	241
Fair value variation of financial assets held for trade			1	1
Total	97	387	93	370

##### 6.17.3 Unrecognized deferred income tax assets

Items	30 June 2020	31 December 2019
Deductible temporary difference-provision for impairment	2,503	2,504
Deductible loss	53	52
Total	2,556	2,556

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.17 Deferred income tax assets and deferred income tax liabilities  
(Continued)**

6.17.4 Deductible loss of the unrecognized deferred income tax assets will expire in the following years

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
The year of 2024	<b>51</b>	52
The year of 2025	<b>2</b>	
<b>Total</b>	<b>53</b>	52

**6.18 Other non-current assets**

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Prepayment for Construction Projects	<b>781</b>	1,051
<b>Total</b>	<b>781</b>	1,051

**6.19 Short-term loans**

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Pledged loans		
Guaranteed loans		
Credit loans	<b>11,855</b>	12,195
<b>Total</b>	<b>11,855</b>	12,195

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.20 Notes payable

Items	30 June	31 December
	2020	2019
Bank acceptance notes	<b>3,671</b>	3,143
Total	<b>3,671</b>	3,143

*Note:* There are no notes payable that have expired but have not been paid on 30 June 2020. 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	30 June 2020		31 December 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	<b>5,694</b>	<b>98.61</b>	5,332	98.30
1 to 2 years	<b>8</b>	<b>0.14</b>	8	0.15
2 to 3 years			2	0.04
Over 3 years	<b>72</b>	<b>1.25</b>	82	1.51
Total	<b>5,774</b>	<b>100.00</b>	5,424	100.00

*Note:* The above aging analysis is based on the invoice date.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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

<b>Creditors</b>	<b>Balance owe</b>	<b>Aging</b>
Tangyuan Tianyu Coal & Coke Energy Co., Ltd.	65	Within 1 years, Over 5 years
Total	65	

**6.22 Contract liabilities**

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Selling of products	<b>5,084</b>	4,881
Others	<b>17</b>	15
Total	<b>5,101</b>	4,896

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.23 Employee benefits payable

##### 6.23.1 Analysis of employee benefits payable

Items	31 December	Increase	Decrease	30 June
	2019			2020
Short-term benefits	78	1,808	1,682	204
After-service benefits defined contribution plans		248	248	
Termination benefits	75	81	118	38
Total	153	2,137	2,048	242

##### 6.23.2 The situation about short-term benefits

Items	31 December	Increase	Decrease	30 June
	2019			2020
1. Salaries, bonus and allowance	33	1,325	1,260	98
2. Staff welfare		177	115	62
3. Social insurance	2	97	98	1
Including: Medical insurance	2	78	79	1
Staff and workers' injury insurance		18	18	
Maternity insurance		1	1	
Others				
4. Housing fund		150	150	
5. Labor union fee and staff training fee	43	29	29	43
6. Short paid absences				
7. The short-term profit sharing plan				
8. Others		30	30	
Total	78	1,808	1,682	204

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.23 Employee benefits payable (Continued)**

6.23.3 Defined Contribution Plans

Items	31 December 2019	Increase	Decrease	30 June 2020
1. Basic pension insurance		152	152	
2. Unemployment insurance		5	5	
3. Occupational pension		91	91	
<b>Total</b>		<b>248</b>	<b>248</b>	

**6.24 Taxes payable**

Items	30 June 2020	31 December 2019
VAT	<b>113</b>	143
Environmental protection tax	<b>17</b>	18
Resource tax		1
Corporate income tax	<b>(4)</b>	(286)
City maintenance and construction tax	<b>13</b>	29
Property tax	<b>14</b>	17
Land use tax	<b>37</b>	37
Individual income tax	<b>1</b>	9
Educational surcharges	<b>9</b>	21
Others	<b>6</b>	8
<b>Total</b>	<b>206</b>	(3)

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.25 Other payables

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Interests payable	<b>10</b>	9
Dividends payable		8
Other payables	<b>1,939</b>	2,513
<b>Total</b>	<b>1,949</b>	2,530

##### 6.25.1 Interests payable

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Staging interest maturity of long-term borrowings	<b>4</b>	5
Interest for short-term loans	<b>6</b>	4
<b>Total</b>	<b>10</b>	9

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

#### 6.25 Other payables (Continued)

##### 6.25.2 Dividends payable

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
FAW Jiefang Automotive Co., Ltd.		8
<b>Total</b>		<b>8</b>

##### 6.25.3 Other payables

##### 6.25.3.1 Classification of other payables by nature

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Construction payable	<b>555</b>	1,112
Quality assurance	<b>522</b>	682
Performance assurance	<b>197</b>	200
Deposit for steel shelves	<b>23</b>	27
Freight charges	<b>26</b>	25
The special funds paid by Anshan Iron and Steel Group Company(hereinafter referred to as "Angang Group")	<b>343</b>	344
Others	<b>273</b>	123
<b>Total</b>	<b>1,939</b>	2,513

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 Notes of significant other payables aging over 1 year

<b>Creditors</b>	<b>Balance</b>	<b>Reason</b>	<b>Whether paid after 31 December 2019</b>
Angang Group Engineering Technology Co., LTD	67	Project quality assurance	No
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	54	Project quality assurance	No
Angang Construction Group Co., Ltd.	27	Project quality assurance	No
Sinosteel Anshan research institute of thermo-energy Co., Ltd	9	Project quality assurance	No
Anshan Iron and Steel Group Automation Company	16	Project quality assurance	No
Angang subsidiary Industrial Engineering Company.	5	Project quality assurance	No
MCC heavy industry equipment Co., Ltd.	3	Project quality assurance	No
<b>Total</b>	<b>181</b>		

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.26 Non-current liabilities due within 1 year**

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Long-term loans due within 1 year (Note: 6.27)	<b>1,303</b>	1,003
Total	<b>1,303</b>	1,003

**6.27 Long-term loans**

6.27.1 Classification of long-term loans

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Guaranteed loans	<b>206</b>	257
Credit loans	<b>5,085</b>	4,138
Subtotal	<b>5,291</b>	4,395
Less: long-term loans due within 1 year (Note: 6(26))	<b>1,303</b>	1,003
Total	<b>3,988</b>	3,392

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.27 Long-term loans (Continued)

##### 6.27.2 Classification of long-term loans by the maturity date

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Within 1 year	<b>1,303</b>	1,003
1 year to 2 year (include 2 year)	<b>903</b>	1,203
2 year to 3 year (include 3 year)	<b>3,050</b>	2,151
3 year to 5 year (include 5 year)	<b>35</b>	38
<b>Total</b>	<b>5,291</b>	4,395

#### 6.28 Bonds payable

##### 6.28.1 Bonds payable

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
Medium-term note Convertible bond	<b>1,572</b>	1,513
<b>Total</b>	<b>1,572</b>	1,513

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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

Type of bonds	Par value	Issuance date	Bond duration	Issuance amount	31 December 2019
Convertible bond in 2018 (note 1)	1,512	25 May 2018	5 years	1,299	1,513
<b>Total</b>	<b>1,512</b>	<b>-</b>	<b>-</b>	<b>1,299</b>	<b>1,513</b>

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	30 June 2020
Convertible bond in 2018			29	30		<b>1,572</b>
<b>Total</b>			<b>29</b>	<b>30</b>		<b>1,572</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

*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 in the 2019 Annual General Meeting of Shareholders, therefore the conversion price has been adjusted to HK\$6.61 per share since June 9, 2020. 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 three and five years (including five years).

#### 6.29 Lease liability

<b>Items</b>	<b>30 June 2020</b>	31 December 2019
lease payments	<b>865</b>	168
Less: Unrecognized financing expenses	<b>57</b>	8
<b>Total</b>	<b>808</b>	160

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.30 Long-term employee benefits payable**

Items	30 June 2020	31 December 2019
Termination benefits	99	98
Total	99	98

**6.31 Deferred income**

Items	31 December 2019	Increase	Decrease	30 June 2020	Cause of formation
Government grants	584	8	29	563	
Total	584	8	29	563	

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

Items	31 December 2019	New grants	Belong to Non- business income	Belong to Other income	Other decrease	30 June 2020	Associated with the asset income
The government grants related to environmental protection	137			19		118	Asset
The government grant related to scientific research	294	5		3		296	Assets/ Income related
Others	153	3		7		149	Assets/ Income related
Total	584	8		29		563	

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.32 Other non-current liabilities

Items	30 June 2020	31 December 2019
Embedded derivative financial instruments	38	79
Total	38	79

#### 6.33 Share capital

Items	31 December 2019		Increase/Decrease					30 June 2020	
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	Proportion
Shares unrestricted on sale									
1. Ordinary A shares	7,994	85						7,994	85
2. Foreign shares listed overseas	1,411	15						1,411	15
Total	9,405	100						9,405	100

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

#### 6.34 Capital reserve

Items	31 December	Increase	Decrease	30 June
	2019			2020
Share premium	33,110			33,110
Other capital reserve	375			375
<b>Total</b>	<b>33,485</b>			<b>33,485</b>

#### 6.35 Other comprehensive income

Items	31 December 2019	The amount of this period			30 June 2019	
		Amount for the period before tax	Minus: transform into profit or loss from other comprehensive income	Minus: income tax expenses		The After- tax amount attributed to the parent company
<b>1. Other comprehensive income will not reclassified into the gains and losses</b>						
Profit or loss arising from fair value changes of other investments in equity instruments	(141)	18		5	13	(128)
	(141)	18		5	13	(128)
<b>2. Other comprehensive income will reclassified into the gains and losses</b>						
The share which enjoyed by the invested unit reclassified into profit or loss in other comprehensive income under the equity method	2					2
	2					2
<b>Total</b>	<b>(139)</b>	<b>18</b>		<b>5</b>	<b>13</b>	<b>(126)</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.36 Special reserve

Items	31 December 2019	Increase of the period	Decease of the period	30 June 2020
Safety production expenses	54	61	24	91
Total	54	61	24	91

#### 6.37 Surplus reserve

Items	31 December 2019	Increase of the period	Decease of the period	30 June 2020
Statutory surplus reserve	3,723			3,723
Total	3,723			3,723

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.38 Undistributed profit**

Items	This period
Balance as of 31 Dec. 2019	<b>5,551</b>
Changes in accounting policies	
Business combination under the common control	
Balance as of 1 Jan. 2020	<b>5,551</b>
Increase in this period	<b>500</b>
Including: Net profit transferred this year	<b>500</b>
Other adjustment factors	
Decrease in this period	<b>536</b>
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions in this period	
Distribution of cash dividend this period (note)	<b>536</b>
Conversed capital	
Other decreases	
Balance as of 30 Jun. 2020	<b>5,515</b>

*Note:* According to the resolution of the 2019 Annual General Meeting of Shareholders held on May 28, 2020, the Company distributed cash dividends to all shareholders at RMB0.57 per 10 shares. According to the issued shares of 9,405,250,201 shares, it's totaling RMB536 million. All of them have been released as of 30 June 2020.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	44,482	40,587	50,808	45,725
Other operating	168	155	266	237
Total	44,650	40,742	51,074	45,962

*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	43,023	47,325
Foreign exchange income from outside borders	1,627	3,749
Total	44,650	51,074

##### 6.39.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirm at a certain point	44,650	51,074
Total	44,650	51,074

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (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	67	53
Educational surcharge and local educational surcharge	48	38
Land use tax	213	215
Property tax	76	76
Stamp tax	40	45
Resources tax	1	1
Environmental protection tax	34	44
<b>Total</b>	<b>479</b>	<b>472</b>

*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	1,296	1,236
Packing expense	33	31
Sales and service expense	28	57
Employee benefits	78	88
Warehouse storage expense	32	28
Agency fee for commissioned sales	8	18
Insurance expense	4	5
Others	54	76
<b>Total</b>	<b>1,533</b>	<b>1,539</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	370	390
Amortization of intangible asset	92	88
Depreciation	69	21
Computer maintenance expense	13	17
Repair and maintenance	7	6
Afforestation fees		7
Agency fees	5	10
Others	36	76
Total	592	615

#### 6.43 Research and development expenses

Items	This period	Last period
Raw material consumption fee	17	75
Labor cost	64	77
Depreciation	8	28
Subcontracting expenses	64	24
Travel expenses	1	3
Others	1	7
Total	155	214

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (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	479	646
Including: interests expense from the long-term loans and long-term bonds	125	122
Interests expense from the short-term loans and letters of credit	263	340
Other interest expenditures	91	184
Less: Interest income	25	22
Less: capitalized interest expense	5	15
Exchange gain or loss	29	6
Less: capitalized exchange gain or loss		
Others	24	6
<b>Total</b>	<b>502</b>	<b>621</b>

#### 6.45 Other income

Items	This period	Last period	Recorded into extraordinary gains and losses
The government grants related to environment protection	19	21	19
The government grants related to scientific research	3	10	3
Others	7	5	7
<b>Total</b>	<b>29</b>	<b>36</b>	<b>29</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	85	70
Investment income of other investments in equity instruments invested in the holding period	2	9
Others	1	(4)
Total	88	75

#### 6.47 Gains/losses from fair value variation

Sources	This period	Last period
Changes in fair value of derivative financial assets	2	3
Changes in fair value of other non-current financial assets	(12)	10
Changes in fair value of derivative financial liabilities		(31)
Changes in fair value of embedded derivative financial instruments	41	47
Total	31	29

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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	(156)	97
<b>Total</b>	<b>(156)</b>	<b>97</b>

*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		(27)
<b>Total</b>		<b>(27)</b>

*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		1
<b>Total</b>		<b>1</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	9	5	9
Government grant		1	
Liquidated damages	3	2	3
Unpayable payments	8		8
Others	1	4	1
<b>Total</b>	<b>21</b>	12	<b>21</b>

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	Income related	
<b>Total</b>		1	-	-

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

**6.52 Non-operating expenses**

<b>Items</b>	<b>This period</b>	Last period	Recorded into extraordinary gains and losses
The loss on destroy or scrap of non-current assets	<b>27</b>	25	27
External donation	<b>14</b>	1	14
Others	<b>1</b>	2	1
<b>Total</b>	<b>42</b>	28	42

**6.53 Income tax expenses**

6.53.1 Income tax expenses

<b>Items</b>	<b>This period</b>	Last period
Income tax during this period	<b>238</b>	338
Changes on deferred income tax expenses	<b>(123)</b>	84
<b>Total</b>	<b>115</b>	422

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	618
Income tax expenses calculated at statutory/applicable tax rates	154
Effect of different tax rates applied by subsidiary companies	(2)
Effect of adjustments for income tax for prior period	4
Effect of income not subject to tax	(24)
Effect of costs, expenses and loss not deductible for tax purpose	1
Effect of deductible loss of deferred income tax assets not recognized in prior periods	(3)
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	(17)
Changes in the balance of deferred income tax assets/liabilities at the beginning of the period resulting from tax rate adjustments	
Others	2
Income tax expenses	115

#### 6.54 The other comprehensive income

Please refer to Note 6.35.

Financial Report (Continued)  
Notes to the Financial Report (Continued)

*30 June 2020 (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

<b>Items</b>	<b>This period</b>	Last period
Deposit income	<b>27</b>	2
Government grants	<b>8</b>	8
Others	<b>17</b>	11
Total	<b>52</b>	21

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.55 Items on statements of cash flow (Continued)

##### 6.55.2 Cash paid for operating activities

Items	This period	Last period
Freight fee	967	696
Commission for processing products	389	310
Testing fee for energy saving	229	136
Purchases and sales business fee	84	92
Receive and pay salaries of retired employees	53	64
Pipeline transportation fee	28	31
Security and firefighting expense	27	55
Research and development expense	25	20
Leasing fee	24	50
Storage expenses	22	27
Computer maintenance fee	15	22
Special inspection fee	9	5
Travel expense	7	21
Agency fee	6	11
Retirement subsidies	6	6
Insurance fee	5	18
Afforestation fee		12
EIA fee		10
Other operating expenses	141	72
Total	2,037	1,658

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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

<b>Items</b>	<b>This period</b>	Last period
Interests revenue	<b>25</b>	23
Future contract income	<b>11</b>	14
<b>Total</b>	<b>36</b>	37

6.55.4 Cash paid for investment activities

<b>Items</b>	<b>This period</b>	Last period
Future contract loss	<b>10</b>	19
<b>Total</b>	<b>10</b>	19

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

<b>Items</b>	<b>This period</b>	Last period
Received "Guangzhou Automotive Steel" Repayment		33
Total		33

##### 6.55.6 Cash paid for financing activities

<b>Items</b>	<b>This period</b>	Last period
Land rental fee	<b>40</b>	
Agency fees for loans	<b>1</b>	3
Borrowings repaid to Angang Group		81
Others	<b>1</b>	
Total	<b>42</b>	84

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (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
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	503	1,424
Add: Provision for impairment on asset	156	(97)
Provision for impairment on credit		27
Depreciation of fixed assets	1,772	1,749
Amortization of intangible assets	93	89
Depreciation of right-of-use asset	63	
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("-" for gains)		(1)
Loss on scrap of fixed assets ("-" for gains)	18	20
Loss on the change of fair value ("-" for gains)	(31)	(29)
Financial expenses ("-" for gains)	447	615
Investment loss ("-" for gains)	(88)	(75)
Decrease in deferred tax assets ("-" for increase)	(124)	85
Increase in deferred tax liabilities ("-" for decrease)	(1)	(1)
Decrease in inventories ("-" for increase)	(921)	(873)
Decrease in operating receivables ("-" for increase)	2,055	1,174
Increase in operating payable("-" for decrease)	816	(389)
Others	21	47
<b>Net cash flow from operating activities</b>	<b>4,779</b>	<b>3,765</b>
<b>2. Change in cash and cash equivalent</b>		
Cash at the end of the period	7,753	1,781
Less: cash at the beginning of the period	4,671	2,154
Add: cash equivalent at the end of the period		
Less: cash equivalent at the beginning of the period		
<b>Net increase in cash and cash equivalents</b>	<b>3,082</b>	<b>(373)</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 6.56 Supplement of cash flow statement (Continued)

##### 6.56.2 Composition of cash and cash equivalents

Items	30 June 2020	31 December 2019
<b>1. Cash at bank and on hands</b>	<b>7,753</b>	4,671
Of which: Cash		
Bank deposits available	<b>7,581</b>	4,504
Other deposits available	<b>172</b>	167
<b>2. Cash equivalents</b>		
Of which: Bonds due within 3 months		
<b>3. Closing balance of cash and cash equivalents</b>	<b>7,753</b>	4,671

#### 6.57 Restricted assets of ownership or use rights

Items	30 June 2020	Reasons for limitation
Notes receivable	<b>17</b>	<b>Pledge</b>
Accounts receivable financing	<b>80</b>	<b>Pledge</b>
Total	<b>97</b>	

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

#### 6.58 Foreign currency monetary

Items	Foreign currency closing balance	Conversion calculation	Closing balance in CNY
Bonds payable	1,721	0.9134	1,572
Other non-current liabilities (2018 convertible bonds – embedded derivative financial instruments)	42	0.9134	38
<b>Total</b>	<b>1,763</b>	<b>–</b>	<b>1,610</b>

#### 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	19
The government grants related to scientific research	5	Deferred income, other income	3
Others	3	Deferred income, other income	7
<b>Total</b>	<b>8</b>		<b>29</b>

##### 6.59.2 Return of government grants

The Group has not received any government grants refund this period.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

### 7. CHANGES IN CONSOLIDATION SCOPE

During this period, the Company invested in the establishment of Angang (Beijing) Automotive Parts Technology Co., Ltd. ("Angang Parts"), holding 100% of the shares and the registered capital is RMB50 million.

During this period, the Company established the joint venture with Angang Group to establish the Delin Zhilian (Anshan) Co., Ltd. ("Delin Zhilian"), holding 91% of the shares and the registered capital is RMB60 million.

### 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

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (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
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
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

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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
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
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

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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 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
Angang Parts	Beijing	Beijing	50	Technology development, consulting, service, production of auto parts.	100		Established	Wholly-owned
Delin Zhilian	Anshan	Anshan	60	E-commerce and technology consulting, technology development, technical services, technology transfer, value-added telecommunications services in this field.	91		Established	Joint venture

*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 30 June 2020, no subsidiaries of the Company issued share capital or debt securities.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 Automotive 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, trade, warehouse services	49.8	Equity method
Anshan Jingu	Hangzhou	Hangzhou	Steel processing and pales	49	Equity method
Guang Qi Bao Shang	Guangzhou	Guangzhou	Steel processing and distribution	30	Equity method
Meizhou Automobile	Meizhou	Meizhou	Automobile parts production	25	Equity method
Chaoyang Zhongan Water Co., Ltd	Chaoyang	Chaoyang	Water production and supply	45	Equity method

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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	
	30 June 2020/ the Date Occurred in This Period	31 December 2019/ the Date Occurred in Last Period
Current assets	1,553	1,708
Including: Cash and cash equivalents	337	373
Non-Current assets	558	560
Total Assets	2,111	2,268
Current liabilities	927	1,025
Non-Current liabilities	1	2
Total Liabilities	928	1,027
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent Parent Company	1,183	1,241
The net assets calculated by the share percentage held	592	620
Adjusting events		
– goodwill		
– unrealized profit resulting from intra-group trade	(20)	(34)
– others		
The book value of equity investments in joint ventures	572	586
The fair value of the equity investments in joint ventures which exist the public offer		
Operating revenue	2,100	2,201
Finance costs	3	8
Income tax expenses	(10)	16
Net profit	91	63
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	91	63
Dividends received from joint ventures this year	74	114

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	
	30 June 2020/ the Date Occurred in This Period	31 December 2019/ the Date Occurred in Last Period
Current assets	11,319	7,325
Including: Cash and cash equivalents	10,216	6,222
Non-Current assets	15,460	17,539
Total Assets	26,779	24,864
Current liabilities	19,472	17,849
Non- Current liabilities	8	11
Total Liabilities	19,480	17,860
Minority interests	26	21
Subtotal of Shareholders' equity attributable to shareholders of parent Parent Company	7,273	6,983
The net assets calculated by the share percentage held	1,455	1,397
Adjusting events		
– goodwill		
– unrealized profit resulting from intra-group trade		
– others		
The book value of equity investments in associations	1,455	1,397
The fair value of the equity investments in associations which exist the public offer		
Operating revenue	455	461
Finance costs		
Income tax expenses	97	37
Net profit	295	190
Net profit from discontinued operations		
Other comprehensive income		(2)
The total of comprehensive income	295	188
Dividends received from associations this year		67

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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	30 June 2020/ the Date Occurred in This Period	31 December 2019/ the Date Occurred in Last Period
<b>Associations:</b>		
The book value of equity investments	549	558
The followings are calculated by shares		
– Net profit	(11)	2
– Other comprehensive income		
– The total of comprehensive income	(11)	2
<b>Joint ventures:</b>		
The book value of equity investments	356	353
The followings are calculated by shares		
– Net profit	(6)	
– Other comprehensive income		
– The total of comprehensive income	(6)	

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 monitoring.

Sensitivity analysis techniques are adopted by the Group to analyze the rationality of risk variables, and the effects of the changes on profit or loss or shareholders' equity. The risk variables seldom changes individually, and the changes of one risk variables may have a significant effect on the amount of the other with a correlation, therefore, the following content is based on the assumption that changes of each variable are independent.

#### **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.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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 30 June 2020, other assets and liabilities of the Group are denominated in RMB balances.

*Unit: Yuan*

Items	30 June 2020	31 December 2019
Bank deposits ( <i>USD</i> )	<b>100,719.75</b>	100,719.75
Bank deposits ( <i>HKD</i> )		170.29
Bonds payable ( <i>HKD</i> )	<b>1,721,338,278.73</b>	1,688,705,152.39
Other non-current liabilities ( <i>HKD</i> )	<b>41,839,176.94</b>	88,016,170.04

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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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)

- A. On 30 June 2020, 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	7.0292	6.7810	7.0795
H.K. dollar	0.9057	0.8646	0.9134	0.8958

C. Sensitivity analysis

On 30 June 2020, 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
30 June 2020	USD		
	HKD	(12)	(12)
31 December 2019	USD		
	HKD	(12)	(12)

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 (Continued)

By end of 30 June 2020, 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 is based on the same assumptions.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 30 June 2020 please refer to notes 6.1,19,26,27 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 30 June 2020, 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 RMB84 million decrease (last period: RMB132 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

### 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

#### 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.

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 30 June 2020, 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 59% of the receivables and other receivables on the balance sheet date (at the beginning of this period: 60%), 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

### 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

#### 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.

#### 9.4 Transfer of financial assets

Transferred financial assets which have been derecognized entirely but continue to be involved in.

On 30 June 2020, the amount of bank acceptance notes endorsed by the Group to suppliers for settlement of accounts payable was RMB5,356 million, and the amount of commercial acceptance notes was RMB0 million; The amount of bank acceptance notes discounted to financial institutions is RMB5,410 million, and the amount of commercial acceptance notes was RMB0 million; On 30 June 2020, 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (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 30 June 2020			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
<b>Continues fair value measurement:</b>				
Derivative financial assets	2			2
Accounts receivable financing		2,063		2,063
Other investments in equity instruments			483	483
Other non-current financial assets	26			26
Derivative financial liabilities				
Other non-current liabilities(note)			38	38

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 2019			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
<b>Continues fair value measurement:</b>				
Derivative financial assets				
Other investments in equity instruments			465	465
Other non-current financial assets	38			38
Derivative financial liabilities				
Other non-current liabilities( <i>note</i> )			79	79

*Note:* The other non-current liabilities refer to the portion of the 2020 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 30 June 2020, 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 20 thousand yuan or decrease by 20 thousand yuan. It has almost no influence on the value of the convertible bond embedded derivative component if the risk-free rate rises or falls by 1%.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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
<b>Balance at 1 January 2020</b>	<b>465</b>	<b>79</b>
Changes in fair value (included in other comprehensive income)	<b>18</b>	
Changes in fair value (included in current profit and loss)		<b>(41)</b>
<b>Balance at 30 June 2020</b>	<b>483</b>	<b>38</b>

## 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
Angang 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 Limited is the ultimate controller of the Company.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

#### 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.

#### 11.4 Related parties without control relationship

<b>Name of Enterprise</b>	<b>Relation with the Parent Company</b>
Guangzhou Automotive Steel	Joint venture
ANSC-TKS	Joint venture
ANSC-Dachuan	Joint venture
Anshan Jingu	Associate
Nansha Logistical	Associate
Zhongan Water Co., Ltd	Associate
Angang Finance	Associate, Fellow subsidiary
Shanxi Products International Energy Co., Ltd.	Associate of Angang Group
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
Anshan Iron and Steel Group Construction Supervision Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Group Corporation Labor Health Research Institute	Fellow subsidiary

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (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
Germany's neighboring Lugang (Anshan) Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Metallurgical Furnace Technology Co., Ltd.	Fellow subsidiary
Anshan Jidong Cement Co., Ltd	Joint venture of Angang Group
Angang Beckerini Water Treatment Co., Ltd.	Joint venture of Angang Group
Anshan Cod Roll Surface Treatment Co., Ltd.	Joint venture of Angang Group
Angang Yasheng Special Material Co., Ltd.	Associate 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

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 Angang Group Corporation Limited

##### 11.5.1.1 Related-party transactions on Procurement of Goods and Services

<b>Contents</b>	<b>Pricing Policy</b>	<b>This Period</b>	<b>Last Period</b>
Raw materials	Note.1	<b>9,619</b>	9,276
Supplementary materials	Note.2	<b>1,167</b>	1,342
Energy and power supplies	Note.3	<b>735</b>	729
Support service	Note.4	<b>3,074</b>	3,129
Total	–	<b>14,595</b>	14,476

##### 11.5.1.2 Related-party transactions on Sales of Goods and Services

<b>Contents</b>	<b>Pricing Policy</b>	<b>This Period</b>	<b>Last Period</b>
Product	Note.5	<b>1,259</b>	1,273
Scrap steel and material	Note.5	<b>107</b>	212
General services	Note.6	<b>387</b>	482
Total	–	<b>1,753</b>	1,967

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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 Angang Group Corporation Limited (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

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 Angang Group Corporation Limited (Continued)

*Notes: 1. (Continued)*

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.

*Note: 2.* The purchasing prices of ancillary materials are not higher than the average prices charged to independent customers.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 Angang Group Corporation Limited (Continued)

*Note: 3.* Mainly at state prices, or operating costs plus 5% of gross profit margin.

*Note: 4.* 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: 5.* 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 Group 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: 6.* At the state prices, or operating costs plus 5% of gross profit margin, not higher than 1.5% of the commissions, or market prices.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

<b>Contents</b>	<b>Pricing Policy</b>	<b>This Period</b>	Last Period
Raw materials	Market price	<b>89</b>	219
Total	–	<b>89</b>	219

11.5.3 Other Related-party transactions

For this period, the amount of domestic and export sales agent service provided Angang Trade were 0.43 million tons respectively (0.97 million tons respectively for last period).

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

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

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

##### 11.5.4 Loan, deposit and interest payment to Angang Finance

Items	Annual interest rate	Opening balance	Increment	Decrement	Closing balance	Terms of credit
Deposit		3,463	127,975	127,986	3,452	

In this period, the Group's interest income of deposit in Angang Finance was RMB16 million (for the last period: RMB17 million) and the interest expenditure for loans(including discount)from Angang finance was RMB2 million (for the last period: RMB13 million). The highest daily deposit of the Group in Angang Finance in this period was RMB3,500 million (for the last period: RMB3480 million).

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

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

11.5.5 Related-party transactions with the joint ventures and the associates:

A. Statement of purchasing products

<b>Name of enterprise</b>	<b>This period</b>	Last period
ANSC-TKS	<b>240</b>	97
Guangzhou Automotive Steel	<b>103</b>	
Total	<b>343</b>	97

B. Statement of selling products

<b>Name of enterprise</b>	<b>This period</b>	Last period
ANSC-TKS	<b>1,365</b>	1,627
Guangzhou Automotive Steel	<b>266</b>	205
Anshan Jingu		15
Nansha Logistics	<b>320</b>	
Total	<b>1,951</b>	1,847

Financial Report (Continued)  
Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS  
(CONTINUED)**

**11.5 Related-party transactions (Continued)**

11.5.6 Remuneration of the directors, supervisors and senior management

<b>Items</b>	<b>This period</b>	Last period
Directors' fee		
Other remuneration:	<b>1.57</b>	0.95
Including: Salaries, allowances and non-cash	<b>1.16</b>	0.69
Performance-related bonus		
Other insurance and benefits	<b>0.22</b>	0.13
Pension plan contributions	<b>0.19</b>	0.13
<b>Total</b>	<b>1.57</b>	0.95

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

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

##### 11.5.6 Remuneration of the directors, supervisors and senior management (Continued)

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

Name	This period				Total	
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits		Pension plan contributions
<b>Executive directors:</b>						
Zhen Li		0.21		0.04	0.03	0.28
Lianyong Ma		0.18		0.03	0.03	0.24
Zhongwu Li		0.19		0.04	0.03	0.26
Subtotal for executive directors		0.58		0.11	0.09	0.78
<b>Supervisors:</b>						
Peng Yuan		0.13		0.03	0.02	0.18
Subtotal for supervisors		0.13		0.03	0.02	0.18
<b>Senior Managers:</b>						
Jie Liu		0.17		0.03	0.03	0.23
Jingsong Meng		0.17		0.03	0.03	0.23
Shishuai Xu (has now left)		0.11		0.02	0.02	0.15
Subtotal for senior managers		0.45		0.08	0.08	0.61
Total		1.16		0.22	0.19	1.57

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS  
(CONTINUED)**

**11.5 Related-party transactions (Continued)**

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

Name	Last period				Total	
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits		Pension plan contributions
<b>Executive directors:</b>						
Zhen Li		0.11		0.02	0.02	0.15
Lianyong Ma		0.11		0.02	0.02	0.15
Junyong Xie (has now left)		0.11		0.02	0.02	0.15
Subtotal for executive directors		0.33		0.06	0.06	0.45
<b>Supervisors::</b>						
Peng Yuan		0.14		0.03	0.03	0.20
Subtotal for supervisors		0.14		0.03	0.03	0.20
<b>Senior Managers::</b>						
Shishuai Xu (has now left)		0.11		0.02	0.02	0.15
Jinsong Meng		0.11		0.02	0.02	0.15
Subtotal for senior managers		0.22		0.04	0.04	0.30
<b>Total</b>		<b>0.69</b>		<b>0.13</b>	<b>0.13</b>	<b>0.95</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

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

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

##### 11.5.6 Remuneration of the directors, supervisors and senior management (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:* Mr. Li Zhongwu was appointed as the Deputy General Manager of the Company since December 30, 2019 and the Executive Director of the Company since March 16, 2020.

*Note 3:* Since December 27, 2019, Mr. Junyong Xie 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.

*Note 4:* Mr. Jie Liu was appointed as the deputy general manager of the Company on March 27, 2020.

*Note 5:* Since March 24, 2020, Mr. Shishuai Xu resigned as the company's deputy general manager, 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 1 supervisor and 1 senior managers for the last period), and whose payment are set out in detail above.

##### 11.5.7 Continuing connected-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.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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	30 June 2020	31 December 2019
Accounts receivable	Angang Trade	161	556
Accounts receivable	Angang Steel Rope Co., Ltd	74	69
Accounts receivable	Angang Cast Steel Co., Ltd	22	32
Accounts receivable	ANSC-TKS	13	12
Accounts receivable	Angang Group Information Industry Co., Ltd	5	5
Accounts receivable	Angang Refractory Co., Ltd	5	
Accounts receivable	Angang Engineering Technology Development Co., Ltd	4	15
Accounts receivable	Angang Group	4	8
Accounts receivable	Angang Mining Co.,Ltd	1	1
Accounts receivable	Pangang Group Xichang Steel and Vanadium Co., Ltd.	1	1
Accounts receivable	Other Related Parties	1	1
<b>Total</b>		<b>291</b>	<b>700</b>
Other receivables	Angang Trade		
Other receivables	Other Related Parties	1	1
<b>Total</b>		<b>1</b>	<b>1</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	30 June	31 December
		2020	2019
Prepayment	ANSC-TKS	2	1
Prepayment	Guangzhou Automotive Steel	38	22
Prepayment	Angang Trade	660	2,299
Prepayment	Angang Engineering Technology Development Co., Ltd	48	14
Prepayment	Angang Group Information Industry Co., Ltd		
Prepayment	Angang Cold Rolled Steel Plate Co., Ltd. Putian		
Prepayment	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	12	18
Prepayment	Delin Lugang (Anshan) Co., Ltd.	49	40
Prepayment	Pangang Group Jianguo Great Wall Special Steel Co., Ltd.		1
Prepayment	Angang Auto Transport Co., Ltd	9	5
Prepayment	Angang Group Beijing Research Institute Co., Ltd.		39
Prepayment	Pangang Trade		9
Prepayment	Other Related Parties		1
Total		818	2,449

Note: No provision for bad debts has been made for creditor's rights.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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	30 June 2020	31 December 2019
Accounts payable	Angang Group	21	16
Accounts payable	ANSC-TKS	92	107
Accounts payable	ANSC – Dachuan	61	38
Accounts payable	Nansha Logistical		4
Accounts payable	Falan Packing	6	11
Accounts payable	Angang Group Co., Ltd.		1
Accounts payable	Angang Steel Rope Co., Ltd	1	10
Accounts payable	Angang House Property Construction		3
	Angang Engineering Technology		
Accounts payable	Development Co., Ltd	75	104
Accounts payable	Angang Trade	684	327
Accounts payable	Angang Auto Transport Co., Ltd	12	6
	Angang Group Zhongyuan Industry		
Accounts payable	Development Co., Ltd.	76	66
Accounts payable	Anshan Yingkou Harbor co., Ltd	1	
Accounts payable	Angang Cast Steel Co., Ltd	2	2
Accounts payable	Angang Refractory Co., Ltd	1	2
Accounts payable	Delin Lugang (Anshan) Co., Ltd.	128	163
Accounts payable	Pangang Trade	42	39
	Pangang Group Iron and Vanadium		
Accounts payable	Titanium Resources Co. Ltd	25	6
Accounts payable	Angang Mining	139	20
	Angang Group Information Industry		
Accounts payable	Co., Ltd	23	36
	Angang Beckerini Water Treatment		
Accounts payable	Co., Ltd.	4	5
	Angang Cold Rolled Steel Plate Co.,		
Accounts payable	Ltd. Putian		38
	Angang Lianzhong (Guangzhou)		
Accounts payable	Stainless Steel Co., Ltd		1
	Anshan Iron and Steel Metallurgical		
Accounts payable	Furnace Technology Co., Ltd	112	376
	Anshan Cod Roll Surface Treatment		
Accounts payable	Co., Ltd.	2	
Accounts payable	Chaoyang Zhongan Water Co., Ltd.	3	
	Shanxi Products International Energy		
Accounts payable	Co., Ltd.	4	
<b>Total</b>		<b>1,514</b>	<b>1,381</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	30 June 2020	31 December 2019
Other payable	Angang Engineering Technology Development Co., Ltd	196	306
Other payable	Angang Group Information Industry Co., Ltd	56	109
Other payable	Angang Group Zhongyuan Industry Development Co., Ltd.	19	46
Other payable	Delin Lugang (Anshan) Co., Ltd.	5	9
Other payable	Angang Trade	5	7
Other payable	Angang Mining	4	9
Other payable	Anshan Iron and Steel Metallurgical Furnace Technology Co., Ltd	3	3
Other payable	Angang House Property Construction	2	2
Other payable	Angang Beckerini Water Treatment Co., Ltd.	2	13
Other payable	Anshan Iron and Steel Group Corporation Labor Health Research Institute	2	1
Other payable	Anshan Iron and Steel Group Construction Supervision Co., Ltd.	1	1
Other payable	Angang Refractory Co., Ltd	1	1
Other payable	Angang Group	1	1
Other payable	Pangang Group Engineering Technology Co., Ltd		3
Other payable	Angang Steel Rope Co., LT		2
Total		297	513

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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	30 June 2020	31 December 2019
Contract liabilities	ANSC-TKS	28	62
Contract liabilities	Guangzhou Automotive Steel	43	4
Contract liabilities	Anshan Jidong Cement Co., Ltd	1	1
Contract liabilities	Falan Packing	6	5
Contract liabilities	Angang Engineering Technology Development Co., Lt	30	18
Contract liabilities	Angang Group Zhongyuan Industry Development Co., Ltd.	76	38
Contract liabilities	Pangang Trade	4	4
Contract liabilities	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	3	3
Contract liabilities	Angang Trade	3	7
Contract liabilities	Angang Mining	11	3
Contract liabilities	Angang Refractory Co., Ltd	1	
Contract liabilities	Delin Lugang (Anshan) Co., Ltd.	245	168
Contract liabilities	Nansha Logistical	3	83
Contract liabilities	Pangang Group vanadium and Titanium Resources Co., Ltd	1	
Contract liabilities	Other Related Parties	1	1
Total		456	397

#### 11.6.3 Other non-current assets

Items	Related party	30 June 2020	31 December 2019
Other non-current assets	Angang Engineering Technology Development Co., Ltd	161	240
Other non-current assets	Angang Trade	147	270
Other non-current assets	Angang Group Information Industry Co., Ltd	34	40
Total		342	550

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

### 12. SHARE-BASED PAYMENT

As of 30 June 2020, there is no share-based payment transaction need to be disclosed.

### 13. COMMITMENTS

#### 13.1 Significant commitment

Items	30 June 2020	31 December 2019
Investment contracts entered but not yet performed or performed partially	14	83
Construction and renovation contracts entered but not yet performed or performed partially	2,291	2,370
Total	2,305	2,453

#### 13.2 Contingencies

As of 30 June 2020, there were no other significant future matters need to be explained by the Group.

### 14. SUBSEQUENT EVENTS

As of 30 June 2020, there were no subsequent events need to be disclosed.

### 15. OTHER SIGNIFICANT INSTRUCTIONS

As of 30 June 2020, there were no other significant instructions need to be disclosed.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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	30 June 2020				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,020	36.08	404	39.61	616
Account receivable for which bad debt is prepared based on group combination	1,807	63.92	2	0.11	1,805
Including: Risk-free group combination	1,417	50.12			1,417
Risk group combination on the basis of aging-matrix	390	13.80	2	0.51	388
<b>Total</b>	<b>2,827</b>	<b>100.00</b>	<b>406</b>	<b>14.36</b>	<b>2,421</b>

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	1,024	32.34	404	39.45	620
Account receivable for which bad debt is prepared based on group combination	2,142	67.66	2	0.09	2,140
Including: Risk-free group combination	1,698	53.63			1,698
Risk group combination on the basis of aging-matrix	444	14.03	2	0.45	442
<b>Total</b>	<b>3,166</b>	<b>100.00</b>	<b>406</b>	<b>12.82</b>	<b>2,760</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	30 June 2020			
	Book Value	Bad Debt		Reason
		Provision	Percentage (%)	
A financial Co., Ltd	605	306	50.58	Notes overdue
B financial Co., Ltd	265	19	7.17	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
<b>Total</b>	<b>1,020</b>	<b>404</b>	<b>-</b>	<b>-</b>

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

Aging	30 June 2020			31 December 2019		
	Book Value	Bad Debt		Book Value	Bad Debt	
		Provision	Percentage (%)		Provision	Percentage (%)
Within 1 year	383			440		
1 to 2 years	3		28.8			28.8
2 to 3 years			44.9	4	2	44.9
3 to 4 years	4	2	67.3			67.3
4 to 5 years			67.3			67.3
Over 5 years			100.0			100.0
<b>Total</b>	<b>390</b>	<b>2</b>	<b>-</b>	<b>444</b>	<b>2</b>	<b>-</b>

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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

<b>Aging</b>	<b>30 June 2020</b>	31 December 2019
Within 1 year	<b>2,565</b>	3,036
1 to 2 years	<b>139</b>	15
2 to 3 years	<b>11</b>	14
3 to 4 years	<b>16</b>	16
4 to 5 years	<b>17</b>	17
Over 5 years	<b>79</b>	68
<b>Total</b>	<b>2,827</b>	3,166

*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

<b>Type</b>	31 December 2019	Increase/Decrease		30 June 2020
		<b>Bad debt provision</b>	Resale or Reverse verification	
Accounts receivable	406			406

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

Accounts receivable not written off in the current period.

##### 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 RMB1,916 million as of 30 June 2020, which accounted for 67.78% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB325 million at 30 June 2020.

##### 16.1.8 Accounts receivable derecognized resulting from transfer of financial assets.

For details please refer to Notes 6.4.8.

#### 16.2 Other receivables

Items	30 June 2020	31 December 2019
Dividends receivable		12
Other receivables	150	191
Total	150	203

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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	30 June 2020	31 December 2019
FAW Angang		12
<b>Total</b>		<b>12</b>

16.2.2. Other receivables

16.2.2.1 Classification of other receivables

Items	30 June 2020				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	151	100.00	1	0.66	150
including: Risk-free group combination	51	33.77			51
Risk group combination on the basis of aging-matrix	100	66.23	1	1	99
<b>Total</b>	<b>151</b>	<b>100.00</b>	<b>1</b>	<b>0.66</b>	<b>150</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 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
	99	51.56	1	1.01	98
<b>Total</b>	<b>192</b>	<b>100.00</b>	<b>1</b>	<b>0.52</b>	<b>191</b>

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (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

<b>Type</b>	<b>30 June 2020</b>	31 December 2019
Petty cash	5	4
Loan to the subsidiary	51	56
Subsidiary lease fee		37
The remaining factoring receivable	92	92
Others	3	3
<b>Total</b>	<b>151</b>	192

16.2.2.3 Other receivables classified by aging

<b>Aging</b>	<b>30 June 2020</b>	31 December 2019
Within 1 year	95	178
1 to 2 years	1	10
2 to 3 years	10	1
3 to 4 years	41	3
4 to 5 years	4	
Over 5 years		
<b>Total</b>	<b>151</b>	192

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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	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 2020		1		1
Bad debt provision				
Reverse				
Resale or verification				
Write off				
Other changes				
Balance at 30 June 2020		1		1

##### 16.2.2.5 Bad debt provision at the end of the period

Type	31 December 2019	Increase/Decrease		30 June 2020
		Increase/Decrease	Resale or verification	
Other receivables	1			1

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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 period was RMB144 million, which accounted for 95.36% 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	30 June 2020			31 December 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Percentage Book value
Investments in subsidiaries	8,729		8,729	8,624		8,624
Investments in joint ventures and associates	2,896		2,896	2,859		2,859
<b>Total</b>	<b>11,625</b>		<b>11,625</b>	<b>11,483</b>		<b>11,483</b>

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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		30 June 2020	The closing date of provision for impairment
	2019	Increment		
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	450		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	
Angang Parts		50	50	
Delin Zhilian		55	55	
<b>Total</b>	<b>8,624</b>	<b>105</b>	<b>8,729</b>	

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
30 June 2020 (Expressed in million RMB unless otherwise indicated)

**16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS  
(CONTINUED)**

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

16.3.3 Investments for the joint ventures and associates

Please refer to Note 6.10 (except for Zhong'an Water).

**16.4 Operating income and operating cost**

16.4.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	<b>41,450</b>	<b>38,499</b>	48,672	44,805
Other operating	<b>97</b>	<b>72</b>	195	168
<b>Total</b>	<b>41,547</b>	<b>38,571</b>	48,867	44,973

*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	<b>39,920</b>	45,118
Foreign exchange income from outside borders	<b>1,627</b>	3,749
<b>Total</b>	<b>41,547</b>	48,867

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

<b>Items</b>	<b>This period</b>	Last period
Confirm at a certain point	<b>41,547</b>	48,867
Total	<b>41,547</b>	48,867

#### 16.5 Investment income

<b>Items</b>	<b>This period</b>	Last period
Long-term equity investment income measured at cost method	<b>4</b>	312
Long-term equity investment income measured at equity method	<b>84</b>	69
Investment income of other investments in equity instruments	<b>2</b>	9
Others	<b>1</b>	(4)
Total	<b>91</b>	386

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

### 17. NET CURRENT ASSETS

<b>Items</b>	<b>30 June 2019</b>	31 December 2018
Current assets	<b>25,646</b>	23,492
Less: Current liabilities	<b>30,101</b>	29,341
Net current assets/(liabilities)	<b>(4,455)</b>	(5,849)

### 18. TOTAL ASSETS LESS CURRENT LIABILITIES

<b>Items</b>	<b>30 June 2019</b>	31 December 2018
Total assets	<b>89,836</b>	87,808
Less: Current liabilities	<b>30,101</b>	29,341
Total assets less current liabilities	<b>59,735</b>	58,467

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (Expressed in million RMB unless otherwise indicated)

### 19. SUPPLEMENTARY DOCUMENTS

#### 19.1 Non-recurring gains and losses

Items	This period	Last period
Gains/losses from disposal of non-current assets	(18)	(19)
Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies	29	37
Gain or loss from the changes of fair value of financial assets held for trade	(12)	10
Changes in fair value of other non-current liabilities (embedded in derivative financial instruments)	41	47
Other non-operating income/loss not listed above	(3)	3
<b>Subtotal</b>	<b>37</b>	<b>78</b>
Less: Effect on taxation	9	20
Effect on minority interest (after tax)		
<b>Total</b>	<b>28</b>	<b>58</b>

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).

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

### 19. SUPPLEMENTARY DOCUMENTS (CONTINUED)

#### 19.2 Return on equity (ROE) and Earnings per Share (EPS)

Profit in this period	Weighted average (ROE) (%)	EPS ( <i>Yuan per share</i> )	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	<b>0.96</b>	<b>0.053</b>	0.053
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	<b>0.90</b>	<b>0.050</b>	0.050

The above data is calculated using the following formula:

##### 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.

# Financial Report (Continued)

## Notes to the Financial Report (Continued)

30 June 2020 (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

Basic earnings per share= $P_0 \div S$ ,  $S=S_0+S_1+Si \times Mi \div M_0-S_j \times M_j \div M_0-S_k$

$P_0$  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; 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 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.

Financial Report (Continued)  
Notes to the Financial Report (Continued)  
*30 June 2020 (Expressed in million RMB unless otherwise indicated)*

**19. SUPPLEMENTARY DOCUMENTS (CONTINUED)**

**19.2 Return on equity (ROE) and Earnings per Share (EPS)  
(Continued)**

19.2.3 Diluted earnings per share

Diluted earnings per share= $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Weighted average number of common shares increased by warrants, share options, convertible bonds, etc.})$

P1 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.

# Documents Available for Inspection

1. Financial statements signed by the Responsible Officer, Chief Accountant and Comptroller of the Company and with seal affixed;
2. Originals of all documents and manuscripts of announcements disclosed by the Company on the website designated by China Securities Regulatory Commission during the Reporting Period;
3. Text of the Articles of Association of the Company;
4. Interim report of the Company disclosed in the Hong Kong stock market;

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

**Angang Steel Company Limited\***

*The Board*

28 August 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\*