鞍鋼股份有限公司
ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 347)

2012 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB77,748 million
- Loss before tax amounted to RMB5,496 million
- Loss for the year attributable to the owner of the parent company amounted to RMB4,157 million
- Basic loss per share amounted to RMB0.575 (2011: Basic loss per share RMB0.297)
- The financial data contained in this announcement was prepared in accordance with the Accounting Standards for Business Enterprises in the PRC

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

"Board"	the board of directors of the Company
"Company"	Angang Steel Company Limited* (鞍鋼股份有限公司)
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"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
RMB	Renminbi, the lawful currency of the PRC
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
"PRC ASBE"	Accounting Standards for Business Enterprises — Basic Standard and 38 Specific Standards issued by the Ministry of Finance of the PRC, and application guidance, bulletins and other relevant accounting regulations issued thereafter, collectively

PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Unit: RMB' million

Items	2012	2011	Changes over the preceding year *(%)*	2010
Operating income	**77,748**	90,423	–14.02	92,431
Operating profit	**–5,563**	–3,446	–61.43	2,253
Total profit	**–5,496**	–3,281	–67.51	2,358
Net profit attributable to the owner of the parent company	**–4,157**	–2,146	–93.71	2,039
Net profit attributable to the owner of the parent company after extraordinary items	**–4,207**	–2,270	–85.33	1,960
Net cash flow from operating activities	**1,453**	4,663	–68.84	9,026
Basic earnings per share *(RMB Yuan/share)*	**–0.575**	–0.297	–93.60	0.282
Diluted earnings per share *(RMB Yuan/share)*	**–0.575**	–0.297	–93.60	0.282
Basic earnings per share after extraordinary items *(RMB Yuan/share)*	**–0.581**	–0.314	–85.03	0.271
Diluted earnings per share after extraordinary items *(RMB Yuan/share)*	**–0.581**	–0.314	–85.03	0.271
Returns on net assets on weighted average basis *(%)*	**–8.54**	–4.09	-4.45	3.83
Return on net assets on weighted average basis after extraordinary items *(%)*	**–8.64**	–4.33	-4.31	3.68

Items	**At the year end of 2012**	At the year end of 2011	Changes over the preceding year *(%)*	At the year end of 2010
Total assets	**101,237**	102,988	–1.70	105,114
Total liabilities	**53,008**	50,683	4.59	49,769
Equity attributable to the owner of the parent company	**46,598**	50,751	–8.18	54,068
Net assets per share attributable to the owner of the parent company *(RMB/share)*	**6.44**	7.01	–8.13	7.47
Assets-liability ratio *(%)*	**52.36**	49.21	3.15	47.35
Total share capital	**7,235**	7,235	—	7,235

EXTRAORDINARY ITEMS AND AMOUNTS AFFECTED ON PROFIT

Unit: RMB' million

	Extraordinary items	**2012**	2011	2010
1	Gains or losses from disposal of non-current assets	**11**	7	4
2	Government subsidies (except for government subsidies which are closely related to the Company's normal operations, in compliance with requirements of the national policies and entitled continuously in a fixed amount or quantity in conformity with the applicable standards) attributable to gains or losses for the period	**60**	190	117
3	Other non-operating income and expenses apart from those stated above	**–4**	–32	–16
4	Effect of minority interest	**—**	—	—
5	Effect of income tax	**–17**	–41	–26
	Total	**50**	124	79

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

OPERATING RESULTS FOR 2012

The Group recorded a net loss and a basic loss per share attributable to the owner of the parent company of RMB4,157 million and RMB0.575 respectively, for the year ended 31 December 2012 as compared to a net loss attributable to the owner of the parent company of RMB2,146 million for the year ended 31 December 2011.

PROFIT DISTRIBUTION

As audited and confirmed by RSM China Certified Public Accountants (Special General Partnership), the Company recorded a net profit of RMB-4,157 million attributable to the owner of the parent company for the year of 2012 in accordance with the PRC ASBE. As the Company recorded a loss, pursuant to the PRC laws and regulations and the articles of association of the Company, the Company would not make allocation to surplus reserve for the year of 2012. The Board proposed that the Company would not make any profit distribution or transfer of reserve to share capital for year of 2012. This proposal shall be subject to consideration at the 2012 annual general meeting of the shareholders of the Company.

Distribution for the last three years

Unit: RMB' million

Year	Amounts of cash dividends (including tax)	Net profit attributable to the shareholders of the Company in the consolidated financial statement during the year	Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statement *(%)*
2012	0	–4,157	0
2011	0	–2,146	0
2010	1,085	2,039	53.21

BUSINESS REVIEW

1. **New improvement in capabilities of lean production and organisation by taking advantage of cooperation.**

   During the reporting period, the Group produced 20,288,300 tons of iron, 19,628,800 tons of steel and 19,091,100 tons of steel products, representing a decrease of 0.75%, 0.78% and 0.41%, respectively, as compared with the previous year. Sale of steel products amounted to 18,876,000 tons, representing an increase of 0.20% as compared with the previous year. The Group also realized a 98.87% sale-to-production ratio for steel products.

   For the year of 2012, the Company organized production in accordance with the principle of "prioritise benefit, moderate scale, improving indicators and lowest cost". As with the system before iron-making, attention was mainly paid to "maintaining stability" of blast furnace, coal blending and ore proportioning were optimized and, thus resulting in an overall reduction in the cost of steel-making; as with the steel-making system, management by production line and furnace charging optimization were adhered to and accordingly stable production as well as low-cost operation were achieved; as with the rolled steel system, the production was stringently organized as per the contracts, so as to ensure full-load production of efficient varieties and production lines. Steady and smooth production and operation were achieved by lean organization, while the output targets and plans of the main products were fully completed. The cost of operation decreased continuously and the key technological and economic indicators were improved effectively.

2. **Logistics and procurement strategies were adjusted as needed thus better results were achieved with low-cost operation.**

   The Group stayed abreast of market changes. Through seeking sources publicly, actively invited new suppliers to eliminate the bottleneck of exclusive supply, continuously expanded functional subcontracting projects, conducted procurement as appropriate by avoiding the peak whilst choosing the bottom, purchase cost of raw fuels was substantially reduced. Logistics optimization research team was established and logistics forecast was carried out, logistics and transport organizations were optimized. Great efforts were made to coal blending and ore proportioning, internal and external low-cost material resources were excavated and developed vigorously. The percentages of usage of the inventory-clearing varieties, alternative varieties, spot iron materials and mines and coals improved continuously, meanwhile, the inventory levels were adjusted dynamically and promptly according to the changes in the market of the raw materials, and a series of effective mechanism and measures were formed preliminarily, thereby significantly reducing operating risks.

3. Vigorously explored the market and the level of marketing and management saw new improvement.

With a view to benefit maximization, greater efforts were made to adjust the structure of product varieties, raised the proportion of sales of the high value-added products e.g. steel for automobiles, steel for pipelines and steel for high-end appliances, a sales goal of 7.22 million tons of high value-added products were achieved during the year, of which the steel plates for pipelines and engineering machines and other steel plates reached a peak in the recent years, and the percentage of special materials reached 79%.

Vigorously developed direct suppliers, established key customers management and service mechanism, deepened EVI management, strengthened the function of “integrating” production, sale and research, greater efforts were made to sell and the market share was improved. The Group was responsive to the industrial and regional demands, it continued to vigorously develop medium and small-sized direct supply enterprises, and the percentage of direct supply reached 65% during the year.

The Group is market-oriented, constantly improving the sales of the spot goods in the Greater Northeastern region of China, the market share in the neighboring market has increased year-on-year. Greater efforts were made to the tender of key projects, successively won the bids i.e. Hong Kong-Zhuhai-Macao Bridge (the longest cross-sea bridge in the world), Pipeline No.3 of the project of natural gas transmission from west to east China, China-Myanmar pipeline, Sinopec Tianjing oil storage tank and other large-scale key projects, brand awareness was improved.

Vigorously explored overseas market and promoted internationalized operations, the sales for export settlement amounted to 1,697,300 tons.

4. **Energy management was emphasized, and new progress was made with regards to energy-saving and emission reduction.**

The concept of "operating energies" was established, energy basic management was strengthened, and the effectiveness of energy management was improved. During the year, a total of 52 energy-saving projects and contracted energy management projects were implemented and the investments aggregated RMB229 million. Of which, the steel-making headquarter plant's second-burning waste heat steam recycling power generation project, the production line No. 2150 furnace waste heat recycling project and the project to supply additional fuel gas to the boiler at the southern area of the second power plant project were successively put into production and operation, 29,000 tons of standard coal were saved during the year. By fully exploring the potential of power generation, the proportion of self-generated power reached 54%.

Composite energy consumption per ton of steel, fresh water consumption per ton of steel and other indicators all reached the best in the history. During the year, there was no material environment pollution accident, and the compliance rate of air pollution source emissions, the rate of decontamination and disposal of hazardous wastes and the recycling rate of waste materials all reached 100%.

5. **Technological innovation was promoted, and R&D advanced to a new level.**

Increased investment in research, promoted key technological development projects, a total of 327 research projects were approved and initiated during the year.

X80-grade anti-high deformation wide and thick steel sheet passed PetroChina's examination. Substantive progress was made in the development of ultrahigh tough steel plates for automobiles, ultra wide and thick steel sheet, ultra thin wide steel sheet and other new products. 4.4 million tons of new products (which represents up to 22%) were developed during the year.

Nine scientific achievements including "development and utilization of iron dustwallow efficient recycling new technologies" of which three reached the internationally leading standard and six reached the internationally advanced standard. Eight new products, including steel series for large heat input welding of ship and marine engineering were awarded "provincially excellent new product". During the year, 700 patent applications were received by the state, 487 granted patents and 685 proprietary technologies were obtained. Six gold medals were received at the Seventh International Invention Patent Exhibition.

6. **Speed up equipment upgrade, technological transformation and construction of capital projects saw new progress.**

The annual investment in fixed assets was RMB3.65 billion. 19 capital investment projects including the west area sintering waste-heat power generation technological transformation project were put into operation. Chemical coke ovens (phase 4), CDQ and generator sets, the headquarters' newly-built No.1 converter gas tank and newly built 20,000 m^3 waste nitrogen compressor as well as the slab heat treatment production lines in Anshan and Yingkou, tar expansion and renovation project phase 1 and other projects have started production consecutively. Renovation of blast furnace No.10 progressed as scheduled. A series of major projects including oriented silicon steel experiment project, the production line No.2150 ultrafast cooling project, the west power plant boiler mixed gas project, No.1 and No.2 casting machine electromagnetic brake at the No. 4 steelmaking work section and No.3 casting machine automotive slab production improvement project, the large-scale plant new steel track full-length quenching line, the hot-rolled plant production line No.2150 high-strength coiler renovation, the cold-rolled galvanizing lines renovation and military supporting renovation projects were approved.

THE COMPANY'S DEVELOPMENT PLAN FOR THE YEAR OF 2013

1. **The Company's development strategy**

In 2013, the Company will implement the strategy of "make progress while maintaining stability, prioritise benefit and stringent implementation" to achieve the target of "turn loss into profitability", improve the enterprise's adaptability to the market, transformation and innovation capability, differentiated competitiveness and comprehensive management capability.

2. Operation plan for the year of 2013

(1) Implement comprehensive innovation, and achieve new breakthrough in the route emphasizing quality and benefit of the varieties by keeping a keen eye on substitution of imported products and the domestic demand on special steel and stepping up efforts in new product development.

(2) Step up efforts in marketing, services and procurement, achieve new breakthrough in the capability of collaboratively creating benefit in both the international market and the domestic market.

(3) Improve the "one-stop shop" service quality, achieve new breakthrough in the construction of large logistics management system.

(4) Optimize key production elements, achieve new breakthrough in improvement of capacity to secure lean production.

(5) Step up efforts in energy-saving and emission reduction, achieve new breakthrough in the implementation of green development.

(6) Fully enhance operation management, achieve new breakthrough in improvement of operation management and control capability.

(7) Improve the management system and the operation system, achieve new breakthrough in deepening enterprise reform.

3. Capital requirements plan

For the year of 2013, a capital investment of RMB5,105 million is planned to be injected into the Group's chemical coke oven renovation project phase 4 and phase 5, the 3.8m slab project in Bayuquan and other main construction projects and external investments.

The main sources of the capital for the Group in 2013 are: short-term financing bills, medium-term notes, cash flows generated by operating activities and bank loans.

FINANCIAL INFORMATION REVIEW

ANALYSIS OF PRINCIPAL BUSINESS

1. Overview

Unit: RMB' million

Item	2012	2011	Increase/ decrease of the reporting period as compared with the same period of the previous year *(%)*	Explanation and reasons for significant change
Operating income	77,748	90,423	–14.02	
Operating costs	75,630	86,406	–12.47	
Marketing expenses	1,355	1,549	–12.52	
Administrative expenses	3,023	3,339	–9.46	
Financial expenses	1,846	1,470	25.58	
Net cash flow	–292	–1,310	77.71	*Note*

Note: Net cash flow has increased by RMB1,018 million as compared with the previous year, which was mainly attributable to (1) a decrease of RMB3,210 million in net cash inflow from operating activities as compared with the previous year arising from the decrease in cash received from sale of goods or provision of services for the year; (2) a decrease of RMB2,794 million in net cash outflow from investing activities as compared with the previous year due to a decrease in the acquisition of fixed assets and expenditures of construction in progress; and (3) an increase of RMB1,434 million in net cash inflow from financing activities as compared with the previous year as cash received from borrowings exceeded cash repaid for loans during the year.

2. Income

Unit: 0'000 tons

Sector by industry	**Item**	**2012**	2011	Year-on-year increase/decrease *(%)*
Steel rolling process industry	Sales volume	1,887.60	1,883.83	0.20
	Production volume	1,909.11	1,916.96	–0.41
	Stock volume	55.49	53.19	4.32

Sales to major customers of the Company

Total sales of the top five customers *(RMB million)*	15,701
Proportion of total sales of the top five customers over total sales for the year *(%)*	20.72

3. Costs

Sector by industry:

Unit: RMB' million

Sector by industry	**Item**	**2012** **Amount**	**2012** **As a percentage of operating costs** *(%)*	2011 Amount	2011 As a percentage of operating costs *(%)*	Year-on-year increase/decrease *(%)*
Steel rolling process industry	Raw materials	**33,776**	**44.81**	39,950	46.35	–15.45
	Ancillary materials	**3,950**	**5.24**	4,525	5.25	–12.71
	Spare parts and tools	**1,085**	**1.44**	1,120	1.30	–3.13
	Fuel	**20,502**	**27.20**	23,177	26.89	–11.54
	Power supplies	**6,286**	**8.34**	5,585	6.48	12.55
	Salaries and welfare	**2,261**	**3.00**	2,284	2.65	–1.01
	Depreciation	**5,435**	**7.21**	6,525	7.57	–16.70
	Others	**2,080**	**2.76**	3,026	3.51	–31.26
	Total	**75,375**	**100.00**	86,192	100.00	–12.55

Major suppliers of the Company

Total purchases attributable to the top five suppliers *(RMB million)*	34,677
Proportion of total purchases attributable to the top five suppliers over total purchases for the year *(%)*	54.26

4. Expenses

Unit: RMB' million

Financial indicators	**2012**	**2011**	**Increase/ decrease of the reporting period as compared with the same period of the previous year** *(%)*
Marketing expenses	1,355	1,549	–12.52
Administrative expenses	3,023	3,339	–9.46
Financial expenses	1,846	1,470	25.58
Income tax expenses	–1,116	–949	–17.60

5. R&D expenditure

Unit: RMB' million

Item	2012	2011	Year-on-year increase/ decrease *(%)*
R&D expenditure for the current period included in profit or loss for the period	**2,157**	2,146	0.51
R&D expenditure for the current period recognized as intangible assets	**2**		
Total R&D expenditure	**2,159**	2,146	0.61
Proportion of total R&D expenditure over net assets *(%)*	**4.63**	4.23	0.40
Proportion of total R&D expenditure over operating income *(%)*	**2.78**	2.37	0.41

6. Cash flow

Item	2012	2011	Year-on-year increase/ decrease *(%)*
Sub-total of cash inflow from operating activities	**75,479**	90,855	–16.92
Sub-total of cash outflow from operating activities	**74,026**	86,192	–14.11
Net cash flow from operating activities	**1,453**	4,663	–68.84
Sub-total of cash inflow from investing activities	**278**	74	275.68
Sub-total of cash outflow from investing activities	**3,030**	5,620	–46.09
Net cash flow from investing activities	**–2,752**	–5,546	50.38
Sub-total of cash inflow from financing activities	**53,639**	24,884	115.56
Sub-total of cash outflow from financing activities	**52,632**	25,311	107.94
Net cash flows from financing activities	**1,007**	–427	335.83
Net increase of cash and cash equivalents	**–292**	–1,310	77.71

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

(1) A decrease in net cash flow from operating activities as compared with the previous year was mainly attributable to a decrease in cash received from sale of goods or provision of services resulting from the decrease in the prices of steel products for the year.

(2) An increase in cash inflow from investing activities as compared with the previous year was mainly attributable to an increase in cash received from dividends distributed by investment company.

(3) A decrease in cash inflow from investing activities as compared with the previous year was mainly attributable to a decrease in the acquisition of fixed assets and expenditures of construction in progress.

(4) A decrease in net cash flow from investing activities as compared with the previous year was mainly attributable to a decrease in the acquisition of fixed assets and expenditures of construction in progress.

(5) An increase in cash inflow from financing activities as compared with the previous year was mainly attributable to an increase in the cash received from borrowings.

(6) An increase in cash outflow from financing activities as compared with the previous year was mainly attributable to an increase in cash payments for repayment of debts.

(7) An increase in net cash flow from financing activities as compared with the previous year was mainly attributable to the cash received from borrowings exceeded cash repaid for loans during the year.

(8) Net increase of cash and cash equivalents has increased as compared with the previous year, which was mainly attributable to (1) a decrease of RMB3,210 million in net cash inflow from operating activities as compared with the previous year arising from the decrease in cash received from sale of goods or provision of services for the year; (2) a decrease of RMB2,794 million in the net cash outflow from investing activities as compared with the previous year due to a decrease in the acquisition of fixed assets and expenditures of construction in progress; and (3) cash received from borrowings exceeded cash repaid for loans during the year, therefore an increase of RMB1,434 million in the net cash inflow from financing activities was recorded as compared with the previous year.

7. Liquidity and Financial Resources

As at 31 December 2012, the Group had long-term loans of RMB8,364 million (exclusive of loans due within one year) with interest rates ranging from 5.535% to 6.9% per annum. Under the terms of three to twenty-five years, the loans will expire during the period from 2014 to 2030. The loans are mainly used for replenishing working capital and project borrowings. The Group's long-term loans due within one year amounted to RMB7,501 million.

In 2012, with good credibility, the Group was reviewed and rated by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) with a long-term credit rating of "AAA". In 2012, nine financial institutes which had strategic cooperation with the Company had given credits to the Company. Therefore, the Group is capable of repaying its debts when they become due.

As at 31 December 2012, the Group had a total capital commitment of RMB1,559 million, which was primarily attributable to the construction and renovation contracts entered into but not performed or partially performed, and the external investment contracts entered into but not performed or partially performed.

8. Foreign Exchange Risk

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

ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in assets

Unit: RMB' million

	End of 2012		End of 2011			
	Amount	**As a percentage of total assets** *(%)*	Amount	As a percentage of total assets *(%)*	Increase/ decrease *(%)*	**Explanation for significant change**
Monetary assets	**2,049**	**2.02**	2,341	2.27	–0.25	—
Account receivables	**2,247**	**2.22**	1,879	1.82	0.40	—
Inventories	**10,642**	**10.51**	14,242	13.83	–3.32	—
Investment properties	**—**	**—**	—	—	—	—
Long-term equity investments	**2,740**	**2.71**	2,483	2.41	0.30	—
Fixed assets	**51,257**	**50.63**	53,566	52.01	–1.38	—
Construction in progress	**9,736**	**9.62**	9,136	8.87	0.75	—

2. Significant change in liabilities

Unit: RMB' million

	End of 2012		End of 2011			
	Amount	**As a percentage of total assets** *(%)*	Amount	As a percentage of total assets *(%)*	Increase/ decrease *(%)*	**Explanation for significant change**
Short-term loans	**15,130**	**14.95**	10,630	10.32	4.63	Year-end balance has increased by 42% as compared to the opening balance, mainly attributable to an increase in working capital loans.
Long-term loans	**8,364**	**8.26**	13,135	12.75	–4.49	Year-end balance has decreased by 36% as compared to the opening balance, mainly attributable to long -term loans due within 1 year transferred to non-current liabilities due within 1 year.

3. Assets and liabilities measured at fair value

Unit: RMB' million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Gains or losses arising from changes in fair value reported in equity	Impairment made for the period	Purchase in the current period	Disposal in the current period	Closing balance
Financial assets							
Of which:							
1. Financial assets measured at fair value through profit and loss (excluding derivative financial assets)							
2. Derivative financial assets							
3. Available-for-sale financial assets	92	—	7	—	—	—	101
Sub-total of financial assets	92	—	7	—	—	—	101
Investment properties							
Productive biological assets							
Others							
Total	92	—	7	—	—	—	101
Financial liabilities							

4. Gearing ratio

For the year 2012 and 2011, the Group's ratio of equity to liability is 0.91 times and 1.03 times respectively.

5. Pledge of assets

For 2012, the Group pledged the bank certificate of deposit in a nominal amount of RMB217 million with Industrial Bank, and notes payable in the same amount was issued by the industrial Bank upon the request of the Group. The period of pledge is from 31 July 2012 to 31 January 2013.

For 2012, the Group pledged the notes receivable in a nominal amount of RMB814 million with the Bank of China, and the notes payable in an amount of RMB753 million was issued by the Bank of China upon the request of the Group. The period of pledge is from January 2013 to June 2013.

6. Contingent liabilities

As of 31 December 2012, the Group had no contingent liabilities.

ANALYSIS ON THE CORE COMPETITIVENESS

With the continuous improvement of the Company's level of technologies and equipment as well as R&D capability in recent years, the Company possesses relatively strong R&D capability in respect of the steel plates for automobiles, marine, railway, power, petroleum and petrochemical, machinery, construction, light industry and other industries, and developed a series of leading strategic products with independent intellectual property rights.

1. Core technologies of the products

(1) Steel plates for automobiles

The Company produces four types of high-strength steel plates for automobiles including hardened steel, dual-phase steel, phase transformation induced plasticity steel and low alloy high-strength steel. Meanwhile, the Company possesses the capability to supply lightweight steel to auto manufacturers.

(2) Steel plates for nuclear power purposes

Breakthrough has been made in the development of steel plates for nuclear power purposes, development of three series of steel plates for nuclear power purposes including steel plates for nuclear reactor safety shells, nuclear island key equipment and nuclear power supporting components have been completed. Pioneered in establishing quality assurance system for the steel plates for nuclear power purposes in China, the national mandatory standard namely "Hot-rolled Steel Plates for Nuclear Power Purposes" edited by the Company has been approved by the state which conferred the Company with an authoritative role in terms of the technical knowhow of steel plates for nuclear power. Realized sole production of nuclear grade-one products including 15MnNi, 16MND5 etc, and produced the domestically widest A516 steel plates for nuclear power purposes. The Company has achieved great progress in the development of Ni series steel, and has become the sole domestic bulk supplier of 5Ni steel plates in China. It has also become the first producer and supplier to have a complete integrated technology chain of 9Ni steel plates domestically.

(3) Steel plates for hull and marine engineering purposes

Pioneered in completing development and certification of TMCP steel plates for ultra thick high-strength, ultra-high-strength hull and marine engineering purposes, and the production technology level has reached the internationally leading standard. Pioneered in passing FQ70 (the highest-grade certification of the steel plates for marine engineering purpose), and has supplied nearly 400,000 tons of steel plates of every grade for marine engineering purpose.

(4) Steel plates for high-speed train purposes

Pioneered in preparing procurement specifications of steel plates for high-speed train bogies which is suitable for the national conditions of China, the Company became the sole domestic company to produce S355J2W(h) steel plates for high-speed train bogies. To date, the Company is the only supplier of steel plates for high-speed train bogies.

(5) Steel plates for bridge purposes

Paint-free weather-proof steel plate GR.50W has been successfully used in American Alaska arctic region and has been used in China for the first time, which ended the history that domestic bridges have to be painted.

(6) Acid-resistant steel plate

The Company's development of the acid-resistant steel plate Q345NS fully satisfies the needs of upgrading of its gas pipeline network, saving paint and labor maintenance costs. The results of laboratory rapid corrosion experiment shows the anti-corrosion quality of acid-resistant steel plate Q345NS is seven times that of Q345B, therefore, it is expected that the useful life of the gas pipeline network of the Company can be increased from 10 years to over 30 years.

(7) Oriented silicon steel

The research and development efforts on our oriented silicon steel have achieved great progress by transforming it into mass production. The mass production process of serial No. 30GO120 and No. 30HIB120 have taken place, while serial No. 27HiB100 is in small scale production. Being the only enterprise participating in the project of "developing industrial steel containing high level of silicon for ultra-low iron loss transformers" (超低鐵損變壓器用高硅電工鋼開發), we have been subsidized through the 863 program of the state, and our research and development on oriented silicon steel are conducted on an advanced level in China.

(8) Steel for pipelines

We have successfully developed the X80-grade anti-high deformation steel for pipelines, and completed the pilot production and supply of thousand tons of products which have been examined and approved by the Xi'an Pipe Material Research Institute (西安管材所) and jointly verified by the China National Petroleum Corporation（中石油）and the China Iron and Steel Association. These have made the Company one of the two steel enterprises which are able to supply such products. Our pipelines which are produced with X80-grade anti-high deformation steel plates have been approved by the Alaska Pipleline Project (阿拉斯加管道項目), making the Company the only Chinese steel factory which has passed the accreditation of the Alaska Pipleline Project Engineering Project (阿拉斯加管線工程項目).

2. Core technologies

(1) Ultrafast cooling technology

The rolling system has opened the routes of slab ultrafast cooling technology, rolling and heating technology by developing and implementing "ultrafast cooling technology" and reduced raw alloy addition and accordingly saved costs significantly and achieved reduced alloy addition.

(2) Low carbon aluminum killed steel new-type deoxidizing alloying technology, technology of alloying directly by manganese for converter tapping and other technologies

The smelting system reduces deoxidation aluminum consumption and improves the ferromanganese closing rate and significantly reduces alloying costs by developing low carbon aluminum killed steel new-type deoxidizing alloying technology, the technology of alloying directly by manganese for converter tapping and other technologies.

(3) Technology on shape control of cold-rolled plates (冷軋板形) and system of shape control

We have successfully developed the first industrial application for the shape examination system of cold-rolled plates (冷軋板形) and the implementation of research and development of the system of shape control in industrial use in China. Besides, we have registered the trademark of "AnShaper" for the technology on "self-research and development as well as industrial application of core technology for the control system of the shape of cold-rolled plates (冷軋機板形控制系統核心技術自主研發與工業應用). This is our first trademark for speciality technologies which has ended the long-term foreign monopolization on the control system of the shape of cold-rolled plates (冷軋板形控制系統), making China one of the few countries in the world mastering the comprehensive set of shape control technologies for cold-strip steel (冷軋帶鋼) applicable for industrial use. Through controlling the cooling rate and the coolant circuit (冷卻路徑), the system could not only perform the hardening process during production, but could also operate a diversified transformation and produce materials of different types, hence minimising procedures in heat processing and minimizing the use of alloys.

3. Core technologies of energy-saving, emission reduction and green manufacturing

(1) Tar slag recycling technology

Through approved research project "research on tar slag recycling technology", opened the technological route of scientifically utilizing hazardous waste tar slag, by doing so, nearly 10,000 tons of tar slags can be recycled annually therefore the production cost is reduced and the effect is remarkable. Research and application of such technology is the pioneer in the industry, which plays a comprehensive exemplary role in chemical waste recycling treatment.

(2) Technology of recycling of dust and dustwallow of steel plants

The undertaken national project "research on technology of recycling of dust and dustwallow of steel plants" developed new technologies of treatment and recycling of iron, carbon and zinc from dust and dustwallow as well as comprehensive utilization of dust and dustwallow. All technological resolutions proposed in the project are implemented, reduced 200,000 tons of waste emissions, utilization rate for recycled metallurgical waste containing iron is below 95%. 200,000 tons of dustwallow containing iron were treated during the year with brilliant result.

(3) Technology of coking phenol cyanide wastewater treatment

Based on several original scientific research achievements of the Institute of Process Engineering at the Chinese Academy of Sciences, integrated a number of key technologies on its own, significant achievements were made in renovating phase three biological nitrogen removal devices. After renovation of biological nitrogen removal devices, dehydrogenation plant effluent COD exceeded 50mg/L, total cyanogen reduced to 0.2mg/L. Such project had passed the achievement identification by China Iron and Steel Association in November 2012, and the key technologies reached international leading standard.

CHANGES OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE GROUP DURING THE REPORTING PERIOD

In comparison with the financial report of the preceding year, the Group has no change in accounting policies, accounting estimates and accounting methods for the year of 2012.

PURCHASE, SALE AND REDEMPTION OF LISTED SHARES

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

CORPORATE GOVERNANCE PRACTICE

With shares listed on both the Hong Kong Stock Exchange and Shenzhen Stock Exchange, the Company is committed to improving its corporate governance in accordance with international corporate governance standards. The Board and the management understand that they are responsible for 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 maximise the investment return for the shareholders in the long term.

AUDIT COMMITTEE

The audit committee and the management of the Company have jointly examined the Company's accounting policies and have discussed the issues in relation to the auditing, internal control and financial statements of the Company (including reviewing the audited financial statements for the year ended 31 December 2012).

MATERIAL GUARANTEE

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

SUBSEQUENT EVENTS

1. On 30 January 2013, the Company convened its first extraordinary general meeting in 2013 for consideration and approval of the following resolutions: Resolution in relation to Assets Exchange between the Company and Angang Group International Trade Corporation (《關於本公司與鞍鋼集團國際經濟貿易公司進行資產置換的議案》), Resolution in relation to the Equity Transfer between the Company and Anshan Iron & Steel Group (《關於本公司與鞍山鋼鐵集團公司進行股權轉讓的議案》) and Resolution in relation to the Transfer of Entrusted Equity Interest of Certain Companies under Anshan Iron & Steel Group and Angang Group International Trade Corporation to the Company (《關於本公司托管鞍山鋼鐵集團公司、鞍鋼集團國際經濟貿易公司其下部分公司股權的議案》). Pursuant to the above resolutions, the Company exchanged its 80% equity interest in Angang Cold Rolled Steel Plate (Putian) Co., Limited* (鞍鋼冷軋鋼板(莆田)有限公司) ("**Angang Putian**") with the assets of the domestic trade business of Angang Group International Trade Corporation* (鞍鋼集團國際經濟貿易公司) ("**Angang Trade**") (including equity interest in nine domestic trading subsidiaries) while Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司) ("**Anshan Iron & Steel Group**") acquired 45% equity interest of Tianjin Angang Tiantie Cold Rolled Sheets Co., Limited* (天津鞍鋼天鐵冷軋薄板有限公司) ("**Tianjin Tiantie**") owned by the Company, upon which Angang Trade and Anshan Iron & Steel Group will transfer the management rights associated with their equity interests in Angang Putian and Tianjing Tiantie to the Company.

   On 31 January 2013, the underlying assets transfer were completed for the assets exchange and equity transfer. After completion of the transfer, the Company's equity attributable to shareholders of the parent as at 31 January 2013 decreased by approximately RMB261 million; net profit attributable to owner of the parent company as at January 2013 increased by approximately RMB24 million.

2. On 16 November 2012, the Company convened the 39th meeting of the fifth session of the Board for consideration and approval of the Resolution in relation to Adjustment to Useful Lives of Certain Fixed Assets (《關於調整部分固定資產折舊年限的議案》). Pursuant to the actual conditions of fixed assets, the Company re-determined the actual useful lives of various fixed assets and resolved to adjust the useful lives of certain fixed assets of the Company from 1 January 2013 onwards.

   After the depreciation adjustment, useful lives of fixed assets of the Company are in line with the average level of useful lives of similar fixed assets of its industry peers. It is expected that equity attributable to owners and net profit of the Company in 2013 will each increase by approximately RMB900 million and the depreciation expense in 2013 will be less than those in 2012 by approximately RMB1,200 million.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2012 will be held on Friday, 31 May 2013. A notice to convene the annual general meeting and the annual report of the Company for 2012 will be published and delivered to the H shareholders of Company as required by the Hong Kong Listing Rules in due course.

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

Prepared by: Angang Steel Company Limited *Monetary Unit: RMB' million*

Assets	*Note*	**31 Dec.2012**	31 Dec. 2011
Current assets:			
Cash at banks and on hand		**2,049**	2,341
Trading financial assets			
Notes receivable		**9,198**	5,914
Account receivables	2	**2,247**	1,879
Prepayments		**2,806**	3,860
Interests receivable		**7**	
Other receivables		**40**	34
Inventories		**10,642**	14,242
Non-current assets due within 1 year			
Other current assets			94
Total current assets		**26,989**	28,364
Non-current assets:			
Available-for-sale financial assets		**101**	92
Long-term equity investments		**2,740**	2,483
Investment properties			
Fixed assets		**51,257**	53,566
Construction in progress		**9,736**	9,136
Construction material		**243**	132
Intangible assets		**6,677**	6,824
Deferred income tax assets		**3,494**	2,391
Other non-current assets			
Total non-current assets		**74,248**	74,624
Total assets		**101,237**	102,988

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

Prepared by: Angang Steel Company Limited *Monetary Unit: RMB' million*

Liabilities and shareholders' equity	Note	31 Dec.2012	31 Dec. 2011
Current liabilities:			
Short-term loans		**15,130**	10,630
Notes payable		**3,260**	5,565
Account payables	3	**5,821**	4,687
Advances from customers		**4,386**	4,396
Employee benefits payable		**312**	318
Tax and surcharges payable		**(1,240)**	(1,914)
Interest payables		**96**	232
Other payables		**2,684**	2,703
Non-current liabilities due within 1 year		**7,501**	4,201
Other current liabilities		**6,005**	6,005
Total current liabilities		**43,955**	36,823
Non-current liabilities:			
Long-term loans		**8,364**	13,135
Deferred income tax liabilities		**28**	39
Other non-current liabilities		**661**	686
Total non-current liabilities		**9,053**	13,860
Total liabilities		**53,008**	50,683

Liabilities and shareholders' equity	*Note*	**31 Dec.2012**	31 Dec. 2011
Shareholders' equity:			
Share capital		**7,235**	7,235
Capital reserve		**31,465**	31,458
Special reserve		**44**	47
Surplus reserves		**3,570**	3,570
Undistributed profits	4	**4,284**	8,441
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		**46,598**	50,751
Minority interests		**1,631**	1,554
Total shareholders' equity		**48,229**	52,305
Total liabilities and shareholders' equity		**101,237**	102,988

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

Prepared by: Angang Steel Company Limited *Monetary Unit: RMB' million*

Items	*Note*	**2012**	2011
1. Operating income		**77,748**	90,423
Including: Operating income	5	**77,748**	90,423
2. Operating costs		**83,723**	94,271
Including: Operating costs for main business	5	**75,630**	86,406
Business tax and surcharges	6	**167**	169
Marketing expenses		**1,355**	1,549
Administrative expenses		**3,023**	3,339
Financial expenses	8	**1,846**	1,470
Impairment losses on assets		**1,702**	1,338
Add: gains/losses from fair value variation			
Investment income		**412**	402
Including: Income from investment in joint ventures and associates		**402**	391
3. Operating profit		**(5,563)**	(3,446)
Add: Non-operating income		**116**	217
Less: Non-operating expenses		**49**	52
Including: Losses on non-current assets disposal		**41**	49
4. Profit before income tax		**(5,496)**	(3,281)
Less: Income tax expenses	9	**(1,116)**	(949)
5. Net profit for the year		**(4,380)**	(2,332)
Net profit attributable to shareholders of parent company		**(4,157)**	(2,146)

Items	*Note*	**2012**	2011
Gains/losses attributable to minority shareholders		**(223)**	(186)
6. Earning per share			
(1) Basic earnings per share	10	**(0.575)**	(0.297)
(2) Diluted earnings per share	10	**(0.575)**	(0.297)
7. Other comprehensive income		**7**	(63)
8. Total comprehensive income		**(4,373)**	(2,395)
Share of total comprehensive income attributable to shareholders of parent company		**(4,150)**	(2,209)
Share of total comprehensive income attributable to minority interest		**(223)**	(186)

NOTES

(Expressed in million RMB unless otherwise indicated)

1. BASIS OF PREPARATION

The financial statements of the Group are prepared on the assumption of going concern principle based on the actual transactions and events, under the accounting standard for business enterprise enacted by the Ministry of Finance of PRC on 15 February, 2006 and 38 specific accounting standards, the subsequent application guidelines, interpretations and other related rules ("Enterprise Accounting Standards"), and the disclosure requirements promulgated by the China Securities Regulatory Commission in "public offering of securities of the Company Information Disclosure Rule No. 15 - Financial Report of the General Provisions "(2010 Amendment).

2. ACCOUNT RECEIVABLES

(1) Nature of account receivables

Items	Closing balance — Book value Balance	Closing balance — Book value Percentage (%)	Closing balance — Bad debt provision Balance	Closing balance — Bad debt provision Percentage (%)
Account receivables with significant single amount subject to individual impairment	**1,979**	**88**		
Other account receivables with insignificant single amount subject to individual impairment	**268**	**12**		
Total	**2,247**	**100**		

Type	Opening balance — Book value Balance	Opening balance — Book value Percentage (%)	Opening balance — Bad debt provision Balance	Opening balance — Bad debt provision Percentage (%)
Account receivables with significant single amount subject to individual impairment	1,646	88		
Other account receivables with insignificant single amount subject to individual impairment	233	12		
Total	1,879	100		

Note: The Company requires a majority of its customers to advance the full amount of the goods before freight, the credit terms of the account receivables relating to credit sales will expire from 1 to 4 months since the bills are issued.

(2) Aging of account receivables

	Closing balance		Opening balance	
	Balance	**Percentage**	Balance	Percentage
		(%)		*(%)*
Within 1 year	**2,230**	**99**	1,876	100
1 to 2 years	**15**	**1**	1	
2 to 3 years			1	
Over 3 years	**2**		1	
Total	**2,247**	**100**	1,879	100

3. ACCOUNT PAYABLES

	Closing balance		Opening balance	
	Balance	**Percentage**	Balance	Percentage
		(%)		*(%)*
Within 1 year	**5,749**	**99**	4,612	98
1 to 2 years	**20**		26	1
2 to 3 years	**10**		1	
Over 3 years	**42**	**1**	48	1
Total	**5,821**	**100**	4,687	100

4. UNDISTRIBUTED PROFITS

Items	**This year**	Last year
Undistributed profits at the end of last year before adjustment	**8,441**	11,672
Adjustment for undistributed profits at the beginning of year		
Undistributed profits at the end of last year after adjustment	**8,441**	11,672
Add: Net profits attributable to owners of parent company during this year	**(4,157)**	(2,146)
Less: Dividend to shareholders		1,085
Undistributed profits at the end of the year	**4,284**	8,441

5. OPERATING INCOME AND OPERATING COST

(1) Operating income and operating cost

Items	**This year**	Last year
Operating income from main business	**77,531**	90,207
Other operating income	**217**	216
Total	**77,748**	90,423
Operating cost for main business	**75,375**	86,192
Other operating cost	**255**	214
Total	**75,630**	86,406

(2) Main business by industry

Name of industry	**This year** Operating income from main business	Operating cost from main business	Last year Operating income from main business	Operating cost from main business
Ferrous metal smelting and steel rolling process	**77,531**	**75,375**	90,207	86,192
Total	**77,531**	**75,375**	90,207	86,192

(3) Main business by products

Name of products	**This year** Operating income from main business	Operating cost from main business	Last year Operating income from main business	Operating cost from main business
Hot rolled products	**27,015**	**26,408**	27,421	26,337
Cold rolled products	**29,653**	**28,581**	36,472	33,446
Medium -thick plate	**9,367**	**8,951**	14,233	14,182
Others	**11,496**	**11,435**	12,081	12,227
Total	**77,531**	**75,375**	90,207	86,192

(4) Operating income by region

Regions	**This year** Operating income	Operating cost	Last year Operating income	Operating cost
China	**70,249**	**68,376**	81,914	78,632
Overseas	**7,499**	**7,254**	8,509	7,774
Total	**77,748**	**75,630**	90,423	86,406

(5) Operating income from top five customers

Period	Operating income from top five customers	Proportion (%)
This year	15,486	20
Last year	20,893	23

6. BUSINESS TAXES AND SURCHARGES

Items	This year	Last year
Resources tax and business tax	**3**	3
City maintenance and construction tax	**95**	92
Educational surcharge and local educational surcharge	**68**	65
Custom duty	**1**	9
Total	**167**	169

7. DEPRECIATION AND AMORTIZATION

Items	This year	Last year
Depreciation of fixed assets	**5,526**	6,887
Amortization of intangible assets	**166**	168
Total	**5,692**	7,055

8. FINANCIAL EXPENSES

Items	This year	Last year
Interest expense	**2,350**	1,919
Less: Interest income	**30**	28
Less: Capitalized interest expense	**476**	427
Exchange gain or loss	**(51)**	(42)
Less: Capitalized exchange gain or loss		
Others	**53**	48
Total	**1,846**	1,470

9. INCOME TAX EXPENSES

Items	This year	Last year
Income tax calculated according to tax law and the relevant regulations		(5)
Changes on deferred income tax	**(1,116)**	(944)
Total	**(1,116)**	(949)

The income tax of the Group is incurred in China. It is calculated based on 25% of the taxable income.

10. BASIC EPS AND DILUTED EPS

For the company, the basic earnings per share shall be calculated at the current net profits attributable to the shareholders of ordinary shares divided by the weighted average number of ordinary shares issued to the public.

(1) Basic EPS and diluted EPS

Profits of the reporting year	**This year** Basic EPS	Diluted EPS	Last year Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	**(0.575)**	**(0.575)**	(0.297)	(0.297)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	**(0.581)**	**(0.581)**	(0.314)	(0.314)

(2) Calculation of basic EPS and diluted EPS

(i) Calculation of the current net profits belonging to the shareholders of ordinary shares when calculating the basic earnings per share:

Items	**This year**	Last year
Net profit attributable to ordinary shareholders	**(4,157)**	(2,146)
Including: Net profit attributable to continuing operations	**(4,157)**	(2,146)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	**(4,207)**	(2,270)
Including: Net profit attributable to continuing operations	**(4,207)**	(2,270)

(ii) Calculation of the weighted average number of ordinary shares issued to the public when calculating the basic earnings per share:

Items	**This year**	Last year
The number of ordinary shares issued to the public in the beginning of the year	**7,235**	7,235
Plus: the weighted average number of ordinary shares issued this year		
Minus: the weighted average number of ordinary shares repurchased this year		
The number of ordinary shares issued to the public in the end of the year	**7,235**	7,235

(iii) As the Company does not have diluted potential ordinary shares, basic EPS and the diluted EPS are the same.

11. SEGMENT REPORTING

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

12. CAPITAL COMMITMENTS

(1) SIGNIFICANT CAPITAL COMMITMENTS

Items	**2012**	2011
Investment contracts entered into but not performed or partially performed	**353**	456
Construction and renovation contracts entered into but not performed or partially performed	**1,206**	3,198
Total	**1,559**	3,654

(2) PERFORMANCE OF THE CAPITAL COMMITMENT OF PREVIOUS YEARS

The Group's capital commitment has been performed according to commitment of previous years up to the 31 December 2012.

13. NET CURRENT ASSETS

Items	**Year-end balance**	Opening balance
Current assets	**26,989**	28,364
Less: current liabilities	**43,955**	36,823
Net current assets/(liabilities)	**(16,966)**	(8,459)

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	**Year-end balance**	Opening balance
Total assets	**101,237**	102,988
Less: current liabilities	**43,955**	36,823
Total assets less current liabilities	**57,282**	66,165

By Order of the Board
ANGANG STEEL COMPANY LIMITED*
鞍鋼股份有限公司
Fu Jihui
Executive Director and Secretary to the Board

Anshan City, Liaoning Province, the PRC
27 March 2013

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:	*Independent Non-Executive Directors:*
Zhang Xiaogang	Li Shijun
Yang Hua	Ma Guoqiang
Chen Ming	Kwong Chi Kit, Victor
Yu Wanyuan	
Fu Jihui	

* *For identification purposes only*