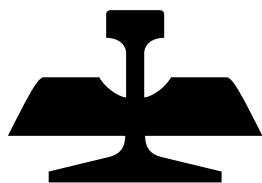


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鞍 鋼 股 份 有 限 公 司

ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 0347)

2013 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB36,922 million
- Total profit amounted to RMB632 million
- Net profit attributable to shareholders of the Company amounted to RMB702 million
- Basic profit per share amounted to RMB0.097 (January to June in 2012: basic loss per share of RMB0.273)
- The financial information contained in this announcement was prepared in accordance with the Accounting Standards for Business Enterprises in the PRC and is unaudited

The Board of the Company is pleased to announce the unaudited results of the Company and subsidiaries under its control for the six months ended 30 June 2013 together with the comparative figures as stated herein.

Definitions:

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

“Angang Dalian”

Angang Steel Processing & Distribution (Dalian) Co., Ltd. (鞍鋼鋼材加工配送(大連)有限公司), a company incorporated in Dalian, the PRC;

“Angang Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司), a company incorporated in the PRC and a subsidiary of Angang Group Company;
“Angang Group Company”	Angang Group Company* (鞍鋼集團公司), a company incorporated in the PRC with limited liabilities, the ultimate controlling shareholder of the Company;
“Angang Holding”	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), the immediate holding company of the Company, which currently holds approximately 67.34% of the equity interest of the Company and a major enterprise in the iron and steel industry of the PRC;
“Angang Holding Group”	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司) and its subsidiaries in which it holds more than 30% equity interests (other than the Group);
“Angang Putian”	Angang Cold Rolled Steel Plate (Putian) Co., Limited* (鞍鋼冷軋鋼板(莆田)有限公司), a limited liability company incorporated in Putian, Fujian Province, the PRC in the business of steeling production, processing and distribution;
“Angang Tiantie”	Tianjin Angang Tiantie Cold Rolled Sheets Co. Limited* (天津鞍鋼天鐵冷軋薄板有限公司), a company incorporated in Tianjin, the PRC;
“Angang Trade”	Angang Group International Economic Trading Corporation* (鞍鋼集團國際經濟貿易公司), a company incorporated in the PRC and a wholly-owned subsidiary of Anshan Iron & Steel Group Complex*;
“ANSC-TKS”	ANSC-TKS Galvanizing Co., Ltd. (鞍鋼新軋 — 蒂森克虜伯鍍鋅鋼板有限公司);
“Board”	the board of Directors of the Company;
“Company”	Angang Steel Company Limited* (鞍鋼股份有限公司), a joint stock limited company incorporated in Anshan, Liaoning Province, the PRC, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shenzhen Stock Exchange;
“connected person”	has the meaning ascribed thereto under the Hong Kong Listing Rules;

“controlling shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets;
“Director(s)”	the director(s) of the Company;
“EPS”	earnings per share;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd. (攀鋼集團鋼鐵釩鈦股份有限公司), a company incorporated in the PRC with shares listed on the Shenzhen Stock Exchange;
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region);
“Reporting Period”	the six-month period from 1 January 2013 to 30 June 2013;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

I. FINANCIAL INFORMATION

Consolidated Balance Sheet

(as of 30 June 2013)

Unit: RMB' million

Items	Note	30 Jun. 2013 (unaudited)	31 Dec. 2012
Current assets:			
Cash at banks and on hand		1,893	2,049
Trading financial assets			
Notes receivable		7,122	9,198
Account receivables	2	1,568	2,247
Prepayments		2,454	2,806
Dividend receivable		8	7
Other receivables		94	40
Inventories		11,119	10,642
Non-current assets due within 1 year			
Other current assets			
Total current assets		24,258	26,989
Non-current assets:			
Available-for-sale financial assets		59	101
Long-term equity investments		2,783	2,740
Investment properties			
Fixed assets		46,545	51,257
Construction in progress		5,224	9,736
Construction material		17	243
Intangible assets		6,196	6,677
Deferred income tax assets		3,034	3,494
Other non-current assets			
Total non-current assets		63,858	74,248
Total assets		88,116	101,237

Consolidated Balance Sheet
(as of 30 June 2013)

Unit: RMB' million

Items	Note	30 Jun. 2013 (unaudited)	31 Dec. 2012
Current liabilities:			
Short-term loans		9,990	15,130
Notes payable		585	3,260
Account payables	3	10,655	5,821
Advances from customers		5,029	4,386
Employee benefits payable		398	312
Tax and surcharges payable		(500)	(1,240)
Interest payables		123	96
Other payables		1,932	2,684
Non-current liabilities due within 1 year		1,271	7,501
Other current liabilities		3,005	6,005
Total current liabilities		32,488	43,955
Non-current liabilities:			
Long-term loans		3,713	8,364
Bonds payable		4,000	
Deferred income tax liabilities		23	28
Other non-current liabilities		822	661
Total non-current liabilities		8,558	9,053
Total liabilities		41,046	53,008
Shareholders' equity:			
Share capital		7,235	7,235
Capital reserve		31,140	31,465
Special reserve		66	44
Surplus reserves		3,580	3,570
Undistributed profits	4	4,984	4,284
Subtotal of shareholders' equity attributable to shareholders of parent company		47,005	46,598
Minority interests		65	1,631
Total shareholders' equity		47,070	48,229
Total liabilities and shareholders' equity		88,116	101,237

Consolidated Income Statement

the six-month period ended 30 June 2013

Unit: RMB' million

Items	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
1. Operating income		36,922	39,378
Including: Operating income from main business	5	36,922	39,378
2. Operating costs		36,628	42,395
Including: Operating costs for main business	5	32,423	38,325
Business tax and surcharges	6	122	67
Marketing expenses		790	658
Administrative expenses		1,744	1,473
Financial expenses	8	707	856
Impairment losses on assets		842	1,016
Add: gains/losses from fair value variation			
Investment income		284	201
Including: Income from investment in joint ventures and associates		261	201
3. Operating profit		578	(2,816)
Add: Non-operating income		74	50
Less: Non-operating expenses		20	13
Including: Losses on non-current assets disposal		19	13
4. Profit before income tax		632	(2,779)
Less: Income tax expenses	9	(56)	(699)
5. Net profit for the period		688	(2,080)
Net profit attributable to shareholders of parent company		702	(1,976)
Gains/losses attributable to minority shareholders		(14)	(104)
6. Earning per share			
(1) Basic earnings per share (RMB Yuan/share)	10	0.097	(0.273)
(2) Diluted earnings per share (RMB Yuan/share)	10	0.097	(0.273)
7. Other comprehensive income		(32)	3
8. Total comprehensive income		656	(2,077)
Share of total comprehensive income attributable to shareholders of parent company		670	(1,973)
Share of total comprehensive income attributable to minority interest		(14)	(104)

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 Feb. 2006 and 38 specific accounting standards, the subsequent application guidelines, interpretations and other related rules (“Enterprise Accounting Standards”), and the disclosure requirements announced 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		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Account receivables with significant single amount subject to individual impairment	1,347	86		
Other account receivables with insignificant single amount subject to individual impairment	221	14		
Total	1,568	100		

Items	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	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		

Note: The majority of the clients of the Group were required to advance the full amount by cash or bank acceptances before delivery; for sales on credit, the term of credit ranges from 1 to 4 months since the bill issuing date.

(2) *Aging of account receivables*

Items	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	1,553	99	2,230	99
1 to 2 years	14	1	15	1
2 to 3 years				
Over 3 years	1		2	
Total	1,568	100	2,247	100

3. ACCOUNT PAYABLES

Items	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	10,553	99	5,749	99
1 to 2 years	38		20	
2 to 3 years	1		10	
Over 3 years	63	1	42	1
Total	10,655	100	5,821	100

4. UNDISTRIBUTED PROFITS

Items	This period
Undistributed profits at the end of last period before adjustment	4,284
Adjustment for undistributed profits at the beginning of period	
Undistributed profits at the end of last period after adjustment	4,284
Add: Net profits attributable to owners of parent company during this period	702
Capital invested by stockholder	133
Less: Others	135
Undistributed profits at the end of the period	4,984

Note: The Company transferred and assigned its 80% of equity interest of Angang Putian to Angang Trade in exchange for the Domestic Trade Business Assets, thus forming a business combination under common control, and the amount of capital invested by stockholder increased by RMB133 million, and others decreased by RMB135 million.

5. OPERATING INCOME AND OPERATING COST

(1) Operating income and operating cost

Items	This period	Last period
Operating income from main business	36,887	39,263
Other operating income	35	115
Total	36,922	39,378
Operating cost for main business	32,395	38,191
Other operating cost	28	134
Total	32,423	38,325

(2) *Main business by industry*

Name of industry	This period		Last period	
	Operating income from main business	Operating cost from main business	Operating income from main business	Operating cost from main business
Ferrous metal smelting and steel rolling process	36,887	32,395	39,263	38,191
Total	<u>36,887</u>	<u>32,395</u>	<u>39,263</u>	<u>38,191</u>

(3) *Main business by products*

Name of products	This period		Last period	
	Operating income from main business	Operating cost from main business	Operating income from main business	Operating cost from main business
Hot rolled products	12,968	11,755	13,701	13,213
Cold rolled products	13,270	10,984	15,020	14,658
Medium-thick plate	4,389	3,828	5,087	4,833
Others	6,260	5,828	5,455	5,487
Total	<u>36,887</u>	<u>32,395</u>	<u>39,263</u>	<u>38,191</u>

(4) *Operating income by region*

Regions	This period		Last period	
	Operating income	Operating cost	Operating income	Operating cost
China	33,797	29,491	35,770	34,782
Overseas	3,090	2,904	3,493	3,409
Total	<u>36,887</u>	<u>32,395</u>	<u>39,263</u>	<u>38,191</u>

(5) *Operating income from top five customers*

Period	Operating income from top five customers	Proportion (%)
This period	5,057	14
Last period	8,358	21
	<u> </u>	<u> </u>

6. BUSINESS TAXES AND SURCHARGES

Items	This period	Last period
Resources tax and business tax	2	1
City maintenance and construction tax	70	38
Educational surcharge and local educational surcharge	50	27
Custom duty		1
	<u> </u>	<u> </u>
Total	122	67
	<u> </u>	<u> </u>

7. DEPRECIATION AND AMORTIZATION

Items	This period	Last period
Depreciation of fixed assets	2,094	2,758
Amortization of intangible assets	82	82
	<u> </u>	<u> </u>
Total	2,176	2,840
	<u> </u>	<u> </u>

8. FINANCIAL EXPENSES

Items	This period	Last period
Interest expense	853	1,131
Less: Interest income	13	17
Less: Capitalized interest expense	138	244
Exchange gain or loss	(14)	(35)
Less: Capitalized exchange gain or loss		
Others	19	21
	<u> </u>	<u> </u>
Total	707	856
	<u> </u>	<u> </u>

9. INCOME TAX EXPENSES

Items	This period	Last period
Income tax calculated according to the Tax Law and the relevant regulations	9	
Changes on deferred income tax expenses	(65)	(699)
Total	(56)	(699)

The income tax of the Group is incurred in the PRC. 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 shareholders of ordinary shares divided by the weighted average number of ordinary shares issued to the public.

(1) Basic EPS and diluted EPS

	This period		Last period	
	Basic EPS (RMB Yuan/share)	Diluted EPS (RMB Yuan/share)	Basic EPS (RMB Yuan/share)	Diluted EPS (RMB Yuan/share)
Net profit				
Net profit attributable to ordinary shareholders	0.097	0.097	(0.273)	(0.273)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	0.088	0.088	(0.277)	(0.277)

(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 period	Last period
Net profit attributable to ordinary shareholders	702	(1,976)
Including: Net profit attributable to continuing operations	702	(1,976)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	635	(2,004)
Including: Net profit attributable to continuing operations	635	(2,004)

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

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

- (iii) As the Company does not have diluted potential ordinary shares, the diluted EPS equals to the basic EPS.

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	As at 30 June 2013	As at 31 December 2012
Investment contracts entered but not performed or performed partially	560	353
Construction and renovation contracts entered but not performed or performed partially	2,628	1,206
Total	3,188	1,559

(2) PERFORMANCE OF THE CAPITAL COMMITMENT OF PREVIOUS PERIOD

The Group's capital commitment has been performing according to commitment of previous years up to 30 June 2013.

13. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	24,258	26,989
Less: current liabilities	<u>32,488</u>	<u>43,955</u>
Net current assets/(liabilities)	<u>(8,230)</u>	<u>(16,966)</u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	88,116	101,237
Less: current liabilities	<u>32,488</u>	<u>43,955</u>
Total assets less current liabilities	<u>55,628</u>	<u>57,282</u>

II. REPORT OF THE DIRECTORS

(I) Summary

In the first half of 2013, amid the slowdown of domestic economic growth, weakness of the iron and steel industry continued with an aggravated mismatch between the supply and demand, bringing unprecedented pressure to the iron and steel enterprises. In face of various unfavorable factors, the Company pressed ahead with reducing the costs and enhancing efficiency through exploring the potential in each link of production and operation. In the meantime, the Company reinforced the efforts in scientific research, refined its products portfolio, improved the quality of customer service and expanded the market. All these efforts helped the Company to turn loss into profitability in adversity in the first half of this year.

In the first half of 2013, the Company achieved net profit attributable to the shareholders of the Company of RMB702 million, representing an increase of 135.53% as compared with the corresponding period of the previous year. Basic profit per share was RMB0.097, representing an increase of 135.53% as compared with the corresponding period of the previous year.

(II) Analysis of principal business

1. Overview

During the Reporting Period, the Group achieved an operating revenue of RMB 36,922 million, representing a decrease of 6.24% as compared with the corresponding period of the previous year. The operating cost was RMB32,423 million, representing a decrease of 15.40% as compared with the corresponding period of the previous year. The Group also achieved the operating profit of RMB578 million, total profit of RMB632 million, net profit of RMB688 million and net profit attributable to the shareholders of the Company of RMB702 million, representing an increase of 120.53%, 122.74%, 133.08% and 135.53% as compared with the corresponding period of the previous year, respectively.

Unit: RMB' million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the change
Operating income	36,922	39,378	-6.24	Note 1
Operating costs	32,423	38,325	-15.40	Note 2
Marketing expenses	790	658	20.06	Note 3
Administrative expenses	1,744	1,473	18.40	Note 4
Financial expenses	707	856	-17.41	Note 5
Income tax expenses	-56	-699	91.99	Note 6
Net cash flow from operating activities	10,663	1,720	519.94	Note 7
Net cash flow from investing activities	161	-1,530	110.51	Note 8
Net cash flows from financing activities	-10,980	65	-16,992.31	Note 9
Net increase of cash and cash equivalents	-156	255	-161.18	Note 10

Notes:

- (1) Operating income decreased by RMB2,456 million as compared with the corresponding period of the previous year, mainly attributable to the decrease in the price of steel products.

- (2) The operating costs decreased by RMB5,902 million as compared with the corresponding period of the previous year, mainly attributable to the strengthening of market research and anticipation, control of the frequency of procurement, resulting in a decrease in procurement costs of the Company followed by an optimisation of the structure of coal blending and ore proportioning, resulting in a decrease in materials costs. In addition, the Company carried forward targeted cost control based on the working process, streamlined the management of logistics, power and capital. All these contributed to a further reduction of relevant costs and expenses.
- (3) Marketing expenses increased by RMB132 million as compared with the corresponding period of the previous year, mainly attributable to 1) the increase in sales, 2) the increase in transportation expenses following the increase in the volume of settlement with certain users by CIF prices as part of the Company's efforts in optimising its logistics management.
- (4) Administrative expenses increased by RMB271 million as compared with the corresponding period of the previous year, mainly attributable to the increase in maintenance costs as the Company strengthened the repair and maintenance of equipment.
- (5) Financial expenses decreased by RMB149 million as compared with the corresponding period of the previous year, mainly attributable to the fact that the Company commenced its inward and outward documentary bills, optimised the terms of loans, saved capital costs and reduced interest expenses.
- (6) The income tax expenses increased by RMB643 million as compared with the corresponding period of the previous year, mainly attributable to the provision of deferred tax for the loss in the corresponding period of the previous year.
- (7) Net cash flow from operating activities increased by RMB8,943 million as compared with the corresponding period of the previous year. Based on the direct method, the increase was mainly due to the decrease in cash paid for goods and services following in the declined prices of raw materials and fuels. Based on the indirect method, the increase was mainly due to 1) the increase in cash flow of RMB2,768 million as there was a net profit of RMB688 million in the current period while a loss of RMB2,080 million occurred in the corresponding period of the previous year; and 2) the increase in cash inflow in line with the changes in operating receivables such as notes receivables and account receivables.
- (8) Net cash flow from investing activities increased by RMB1,691 million as compared with the corresponding period of the previous year, mainly attributable to 1) a decrease in the cash paid for acquisition of fixed assets and expenditures of construction in progress in the current period; 2) the increase in cash received from investment income in the current period; and 3) the increase in cash received from assets exchange and share transfer transaction.
- (9) Net cash flows from financing activities decreased by RMB11,045 million as compared with the corresponding period of the previous year, mainly attributable to the fact that cash received from borrowings was less than cash repaid for loans (net repayment for loans) during the period.

(10) Net increase of cash and cash equivalents decreased by RMB411 million, mainly due to increase of RMB8,943 million in the net cash inflow from operating activities caused by the decreased cash payment for goods and services in the current period; 2) the decrease of RMB1,691 million in net cash flow from investing activities as compared with the previous year caused by the decrease in acquisition of fixed assets and expenditures of construction in progress, the increase in cash received from investment income and the increase in cash received from assets exchange and share transfer transaction; and 3) the increase of RMB11,045 million in the net cash outflows from financing activities as cash received from borrowings was less than cash repaid for loans during the year.

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

To achieve the target of converting loss into profitability in 2013 as set in the beginning of the year, all the staff of the Company, on each stage covering production, purchase, sales, services and scientific research, fully explored the potential of the enterprise, continued to improve the product quality and reduced the costs and consumption, striving to improve the profitability of the Company.

- (1) Stabilization of production and ensure the overall scale

During the Reporting Period, the Group produced 10,417,500 tons of iron, 10,013,300 tons of steel and 9,456,700 tons of steel products, representing an increase of 4.4%, 3.81% and 0.73%, respectively, over the corresponding period of the previous year. Sale of steel products amounted to 9,128,400 tons, representing an increase of 1.03% as compared with the corresponding period of the previous year. The Group also realized a 96.53% sale-to-production ratio for steel products.

In the first half of this year, in face of the ever-changing market conditions, the Company insisted the principle of “priority to benefits and focus to quality survey and improvement”. It prioritized the production lines with higher benefits. The production of products with higher benefits was planned in advance with priority, in order to improve the output from production lines with higher benefits. As for the production lines with less benefits, the Company, based on the mode of intensive production, insisted the match between the production scale and the annul overhaul as well as the combination of equipments periodical repair and centralized production and suspension of production lines, which effectively lowered the production costs.

(2) Further exploration on cost reduction potentials and strict control on every stage

- a. Avoiding the peak whilst choosing the bottom for reduction of procurement costs

By leveraging the lag between the movement in global and domestic coal prices and based on the preliminary estimation on market movement made in the process of negotiation between the Company and the major coal enterprises, the Company managed to procure at appropriate prices by avoiding the peak whilst choosing the bottom. In the first half of the year, the purchase cost on coal decreased by an aggregate of RMB2.2 billion as compared with the corresponding period of the previous year.

Based on its judgment on market trend, the Company purchased imported spot ore at the right timing, especially for its bulk purchase at the low of the price index in June. In the first half of the year, the purchase price of imported ore of the Company decreased by 9.27% compared to the corresponding period of the previous year.

- b. Effective reduction on cost of raw materials under precise organization of steel-making and ore proportioning

During the first half of the year, the Company proactively responded to the market and significantly reduced its ore proportioning cost by optimizing and adjusting its steel-making and ore proportioning in Anshan and Yingkou. On the one hand, the Company facilitated its selective procurement by making several adjustments to its proportion of imported sinter fines, self-produced ore concentrate, ground ore concentrate and the miscellaneous material. It also sufficiently utilized its existing inventory and stock, and rationally adjusted the timing and quantity of material procurement. On the other hand, the Company recycled its internal miscellaneous material and explored relevant potential for the reduction of its cost of pig iron.

- c. Reduction of raw materials inventory to reduce utilization of funds

Provided that the Company is able to satisfy its production needs, the Company minimized its inventory on expensive raw materials by dynamically adjusting its demand on imported ore based on market condition. In the meantime, it precisely planned the progress of its production and suppressed its inventory on bulk raw materials. By insisting operation with low inventory, the Company decreased its utilization of funds and thereby enhanced its capability in resisting market risk.

d. Streamlining management and reducing cost of logistics

Based on the demand, external resources and transportation in Anshan and Yingkou, the Company rationally arranged its procurement structure and fully leveraged on its cost advantage of marine transport in Bayuquan Port. In addition, the cost of logistics was effectively lowered by appropriately increasing the proportion of marine transport and reducing mutual transfer of coal between the two places.

e. Enhancement on capital management to reduce cost of capital

The businesses of inward and outward documentary bills were commenced and the medium-term notes of RMB4.0 billion were successfully issued. As a result, the terms of loans were optimized and cost of capital was reduced. In the first half of the year, financial expenses were reduced by an aggregate of RMB149 million.

Through the implementation of the measures on efficiency enhancement, the costs of the Company were significantly reduced. This has laid a firm foundation for the Company's goal of achieving conversion into profitability in the future.

(3) Strong exploration on market with focus on key projects

The Company proactively responded to the changes in a challenging market conditions. It explored existing and potential demand with the objective to increase its market share. In the first half of the year, more than 80 new customers were developed. The senior management of the Company led relevant teams to visit several major downstream users, extend cooperation with strategic users and delivered significant results. The Company has also established a comprehensive strategic cooperation relationship with Guangzhou Automobile Group Motor Co., Ltd. In the first half of the year, the percentage of direct supply reached 69%, representing an increase of 4% compared to the previous year.

The Company closely monitored international, national and local key projects. In the first half of the year, the Company achieved satisfactory results in bidding key projects. It was the bid winner for a total of 12 key projects, including the Projects of Bridge Plates for the Verrazano Bridge of the United States, Beihai Natural Gas Tank of Sinopec, the Jinan-Qingdao Gas Transmission Pipeline and Tieling-Jinzhou Pipeline of Sinopec and PetroChina.

The interaction between the overseas and domestic markets was increased and a mechanism for market forecast was established. The Company also fully leveraged the mismatch between export and domestic prices as well as the advantage of the time lag and adjustability of the delivery of the domestic resources. In addition, the Company appropriately increased its export of steel products and recorded an export settlement amount of 765,800 tons for the first half of the year.

(4) Innovative marketing model and expanding sales channels

The Company delivered its sales online and gradually developed e-commerce through collaborating with the professional websites of third parties. Currently, online sale on the exclusive business platform of the Company is available for the whole series of products, including hot rolled sheets, cold rolled sheets, wire rods, colour coating plates as well as medium and thick plates. In the meantime, the Company also collaborated with renowned steel portal websites for developing e-transaction with the objective to expand the promotion of the brand and products of Angang and release information on resources through the internet. The Company aimed at exploring customer groups over the internet and establishing a network of multi-point online trading, so as to expand the channels and resources of online trading.

At present, a combination of distribution channels for the sales of the Company by futures agreement, spot agreement, export and internet has been established. As such, the Company could flexibly and systematically respond to changes in the market and resist the risks from markets.

(5) Reinforcing development and profitability of products

Firstly, the Company focused on markets orientation and reinforced the development of high-end products. Satisfactory progress had been achieved in the development of its high-end products such as alloy structured rolled sheet STK490. Secondly, the Company also reinforced its innovation on production technologies. The Company took the opportunity of resource integration by leveraging on its relationship with Angang Group Company. Through the synergy effect generated by working with Pangang Group Sichuan Changcheng Special Steel Co., Ltd.(攀鋼集團四川長城特殊鋼有限責任公司), the Company utilized their quality raw materials and the advantage of its technology on 4,300 mm heavy plate wire, it developed corrosion resistant alloy GH600 and GH800 which contain more than 92% of Ni and Cr and are alternatives to the imported products. The resistance of high temperature and deformation of the two products is 3 to 4 times of that of carbon steel and their rolling thickness of 6 mm is the highest in the PRC. In addition, the Company also developed titanium sheet that contains more than 99% of Ti, which is pure titanium TA2 wide and thick sheet for industrial use that contains the least density of alloy. The Company also developed the technologies and methods for the production line of medium and thick plate of carbon steel to produce alloy, thereby further expanded the productivity and area of rolling machine. Thirdly, the Company reinforced its development on low-cost and high added-value products. By adopting the 300 mm continuous-cast slab for trial production of 200 mm and 240 mm AGMJ45 ultra-thick plate, the Company managed to produce steel plate at the cost per ton of steel which is RMB1,200 lower than forging and rolling by continuous-cast slab. The Company developed 45#1.5/1.8mm ultra-thin hot rolled sheet as an alternative to imported products. By optimizing parameters, the Company successfully rolled 5 mm 06Ni9 steel sheet for low-temperature pressure vessel and commenced relevant product supply.

As for the Company's steel plates for hull and marine engineering purposes, 40 trial productions at steel level and certification from vessel classification societies of 9 countries have been accomplished for the normalized high-strength steel plates. 72 trial productions at steel level have been accomplished for the quenched and tempered ultra-high strength steel plates of the Company and 9 certifications will also be completed by the end of the year. This will be filling the blank of the Company's products in plate for marine purposes, thereby enabling it to cover all medium-thick plates in the specification of marine steel plates and maintaining its leading status among the peers in the PRC.

(6) Focus on scientific research and development and improvement in production technologies

In the first half of the year, the Company accomplished 4 examinations of scientific research results at provincial level, of which the “Research and Development on the Technology for the Purification of Molten Steel from the Tiny Heterogeneous Substance Formed In Situ from Metallurgical Smelted Ore” (冶金熔體中原位生成微小異相淨化鋼水技術研究與開發) and “Research and Development on the New Generation TMCP Technology for Economic and High Performance Medium-Thick Plates” (節約型高性能中厚板新一代TMCP技術開發及應用) were recognized as reaching internationally leading standard. There were also other two research results recognized as reaching internationally leading standard. The Company adopted the continuous-cast slab forging and rolling technology to produce 152 mm steel plate to fill the blank in the PRC. The first batch 152 mm Q345B steel plate of the Company produced that adopted the 300 mm continuous-cast slab forging and rolling technology has been delivered to Shandong Nuclear Power Equipment Manufacturing Co., Ltd. This was the first time for the Company to connect 4,300 mm continuous-slab with the technology of producing ultra-thick plate after forging and rolling, thereby accomplished a breakthrough in the bottle neck of producing ultra-thick plate. As such, the Company filled the blank of this type of ultra-thick plate in the PRC. It significantly reduced its cost of production on the product as it managed to produce at a cost which is RMB2,000 lower than using the traditional casting technology. The types of special steel product of the Company were also enriched and protection was also facilitated to the safety and stability of the downstream industry.

The Company successfully accomplished a research project on the technology producing A4Cr5MoSiV1 high alloy core rod. It successfully researched and processed $\Phi 102.3$ mm and $\Phi 144.9$ mm core rods by utilizing its own resources and self-developed high alloy core rod producing technology. Compared with purchasing domestic produced core rods from external parties, the cost can be lowered by more than RMB20,000 per core rod. As a result, the Company significantly reduced its procurement cost on core rods.

(7) Enhancing technical service and improving customer services

Through regular and mutual visits with strategic customers, the Company established close cooperation relationship with downstream enterprises. It entered into technological cooperation agreement with 9 enterprises of the TIPO Group (中油天寶). The Company established a joint laboratory with the FAW Group and entered into strategic agreement with China Classification Society (CCS). In addition, the Company ensured satisfactory promotion and application of its three major product series of steel plates for nuclear power by entering 11 new product supply and technology agreements with users such as Shandong Nuclear Power Equipment Manufacturing Co., Ltd., Dongfang Electric Corporation, Dalian Shipbuilding Industry Co., Ltd. and Harbin Turbine company Limited. Through conducting survey, research and analysis on the cold-forged steel for automobile and inviting automobile experts to explain knowledge on the structure of automobile, the Company acquainted the composition of all the parts and accessories of automobile, thereby effectively commenced product development with clear objectives. The corrosion rate of the S450AW weathering steel plate developed by the Company is low and its formability is strong. As a result, China Railway Corporation trusted and recommended the product and jointly conducted survey with the Company at Mozambique for preliminary technical services.

- (8) Endeavoring to quality survey and improvement for the maximization of benefits

The Company reinforced its market development activities for its strategic and major products such as steel for automobiles, steel for pipelines and sheet for home appliances, steel for petroleum and petrochemical industries, steel for railway. It maintained leading position in the markets of steel for automobiles, home appliances and railway. In the meantime, the Company further developed the markets for products with higher benefits such as ultra-thin, ultra-thick and ultra-wide plates among plain carbon products. The Company reinforced quality survey and improvement on its “3Hs” products, namely high technology, high added-value and high sales volume. In the first half of the year, the Company commenced quality survey and improvement with a focus on 56 types of products. As a result, the key indicators on quality improved, especially significant economic benefits were accomplished by the reduction of loss of quality per ton of billets and material. In particular, satisfactory results accomplished by quality survey and improvement activities such as the replacement of ingot casting slab with low-cost continuous-casting slab, the development of the thick plate and carbon steel production line into a production line of quality carbon steel and low-cost and quality alloy products, the reinforcement of product development aiming at the limitation of “ultra-thin, ultra-wide and ultra-thick”, the establishment of technological barrier by the developing ultra products as well as the development of ultra quality plates for ships. The Company was equipped with the capability of supplying steel every part of automobiles, and the volume of orders it received also increased by 62.4% as compared with the corresponding period of the previous year.

4. *Liquidity and Financial Resources*

As at 30 June 2013, the Group had long-term loans of RMB3,713 million (exclusive of loans due within one year) with interest rates ranging from 5.535% to 6.4% per annum. Under the terms of three to seven years, the loans will expire during the period from 2014 to 2017. The loans are mainly used for replenishing working capital and project borrowings. The Group’s long-term loans due within one year amounted to RMB1,271 million.

In 2013, with good credibility, the Group was reviewed and rated by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) with a long-term credit rating of “AAA”. Therefore, the Group is capable of repaying its debts when they become due.

As at 30 June 2013, the Group had a capital commitment of RMB3,188 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.

5. *Foreign Exchange Risk*

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

6. *Gearing ratio*

As at 30 June 2013, the Group's ratio of equity to liability was 1.15 times and the figure was 0.91 times as in 2012.

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

8. *Contingent liabilities*

As of 30 June 2013, the Group had no contingent liabilities.

(III) Composition of the principal businesses

Principal businesses of the Group by industry and products

Unit: RMB' million

				Increase/ decrease in operating income as compared with the corresponding period of the previous year (%)	Increase/ decrease in operating cost as compared with the corresponding period of the previous year (%)	Increase/ decrease in gross profit margin as compared with the corresponding period of the previous year (%)
	Operating income	Operating cost	Gross profit margin (%)			
By industry						
Steel pressing and processing industry	36,887	32,395	12.18	-6.05	-15.18	9.45
By products						
Hot-rolled sheets products	12,968	11,755	9.35	-5.35	-11.03	5.79
Cold-rolled sheets products	13,270	10,984	17.23	-11.65	-25.06	14.82
Medium and thick plates	4,389	3,828	12.78	-13.72	-20.79	7.79

Notes:

1. The decrease in operating income from hot-rolled sheets products as compared with the corresponding period of the previous year was primarily due to the decrease in the prices of steel products. The decrease of operating cost was due to i) the decrease in the processing cost attributable to the Company's efforts in reducing the costs through reducing the materials costs from an optimised blending of coal and ores; stringent control of consumptions, improving the economic and technical standards and promoting the target cost management in processing; ii) the decrease in the prices of raw materials and fuels. The increase in gross profit margin was mainly attributable to the deepening of the Company's efforts in cost reduction and efficiency enhancement and the decrease in prices of raw materials and fuels.
2. The decrease in operating income from cold-rolled sheets products as compared with the corresponding period of the previous year was primarily due to i) the decrease in the prices of products and ii) the decrease in the product sales volume. The decrease of operating cost was due to i) the decrease in the processing cost attributable to the Company's efforts in reducing the costs through stringent control of consumptions and improving the economic and technical standards; ii) the decrease in the prices of raw materials and fuels and iii) the decrease in the product sales volume. The increase in gross profit margin was mainly attributable to the deepening of the Company's efforts in cost reduction and efficiency enhancement and the decrease in prices of raw materials and fuels.

3. The decrease in operating income from medium and thick plates as compared with the corresponding period of the previous year was primarily due to i) the decrease in the product prices and ii) the decrease in the product sales volume. The decrease of operating cost was due to the decrease in the processing cost attributable to the Company's unswerving promotion of the operation solutions such as costs reduction and efficiency enhancement as well as streamline management; and thirdly the decrease in the product sales volume. The increase in gross profit margin was mainly attributable to a more significant decrease in the operating cost as compared with the decrease in the operating income.

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

Unit: RMB' million

	Operating revenue from main operation	Increase/ decrease in operating revenue from main operation as compared with the previous year (%)
Northeast China	13,484	-4.08
North China	3,225	-35.19
East China	9,051	2.27
South China	6,976	-1.39
Central south China	705	45.96
Northwest China	246	16.04
Southwest China	110	-6.78
Export sales	3,090	-11.54
Total	36,887	-6.05

(IV) Operation plan for the second half of this year

1. Continue to implement measures to reduce the costs and enhance efficiency, and endeavor to achieve the annual target of turning loss into profitability.
2. Continue to strengthen the marketing and customer service of technology, actively explore the potential of market demand through seeking new projects, stabilize and expand the customer resources.
3. Based on the guideline of "expand the scale amid a stable production to ensure the efficiency", guarantee the production and operation in the second half of this year.

4. Focus on international and domestic key construction and projects with more efforts put on the development of new products, scientific innovation and profitability of products.
5. Step up efforts in energy-saving and emission reduction, promote in-depth development.
6. Build an energy-saving and environmental-friendly iron and steel enterprises, promote the recycling economy and cleaner production, coordinate the economic growth and environmental protection and realize sustainable development.

(V) 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 and core technology with independent intellectual property rights.

1. Core technologies of the products

(1) Steel plates for automobiles

The Company produces advanced high-strength steel products (in particular the dual-phase steel and phase transformation induced plasticity steel), traditional high-strength steel products (in particular the hardened steel and low alloy high strength steel), advanced steel plates for surface (in particular the the O5 plate) and deep drawing steel products (in particular the St16), and these products achieved bulk supply. Besides, the Company developed the new generation steel plates for automobiles (in particular the TWIP steel and QP steel) and is bringing the products into the market. Meanwhile, the Company conducted research on the technology of steel plates for automobiles, able to provide EVI technical services from materials selection to the design of body structure.

(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 “Steel Plates for Nuclear Power Purposes Part 1: Carbon Steel and Low Alloy” (《核電站用鋼板第1部分：碳素鋼和低合金》) 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 of 15MnNi steel for supporting the nuclear island and solely undertook the contract of SA-738Gr.B steel for nuclear reactor safety shells in the national demonstration nuclear power project, being the first CAP1400 in the world. 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, the quality control of which has met the standards of 6σ . 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). The Company has become the sole supplier of icebreaker with the domestic independent design and construction for the first time and has supplied more than 600,000 tons of TMCP steel plates for ultra thick high-strength, ultra-high-strength hull and marine engineering purposes.

(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 successfully launched the experimental application of localized steel plates for high-speed train bogies, delivering products and core technology with independent intellectual property rights. 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 the Company pioneered in the mass application of weather-proof steel plate in bridge constructions. The ratio of steel in the Grade Q500 bridges was one of the earliest to pass the technological assessment of Ministry of Railways.

(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 in the production area. Over 50 km of the gas pipe network had been established in the upper air in the production area of Angang, saving paint and labor maintenance costs. The results of laboratory rapid corrosion experiment and on-site observation and experiment show the anti-corrosion quality of acid-resistant steel plate Q345NS is seven times that of Q345B, therefore, the life span of the gas pipeline network of Angang can be increased from 10 years to over 30 years, saving paint and labor maintenance costs and beatify the environment of the production area of Angang at the same time.

(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矽電工鋼開發), 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 Pipeline 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 Pipeline Project Engineering Project (阿拉斯加管線工程項目). The Company successfully developed X80 thick pipeline steel plate for wide calibre pipes of $\phi 1422$ mm and passed the examination and assessment of Xi'an Pipe Material Research Institute. With that the Company was enlisted on the list of the plants for trial production of "China-Russia Pipeline Project", making the Company a leader in research and production of wide and thick pipelines.

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 (低碳鋁鎮靜鋼新型脫氧合金化工藝), 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 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 specialty 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” (焦油渣回配工藝研究), the Company 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” (鋼鐵廠煙塵與塵泥資源化利用技術研究) 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 above 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 $\leq$ 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.

(4) Steel rolling heating furnace technology with thermal storage and heat transfer

Cooperating with Northeast University and Shanghai Jiade, the Company developed the steel rolling heating furnace technology with thermal storage and heat transfer addressed the shortcomings of domestic heart-storing style heating furnace, such as serious fluctuation in the furnace pressure, short life span of key equipments, unstable production and high production cost. The Company brought out its steel rolling heating furnace technology with thermal storage and heat transfer with independent intellectual property rights, significantly boosted the economical indicators such as energy consumption of steel per ton, oxidization and burning loss, and heating quality, making it one of the pioneers in this technology internationally.

(VI) Analysis of Investments

1. *External equity investment*

(1) External Investments

Investments in the Reporting Period (RMB' million)	Investments in the corresponding period of the previous year (RMB' million)	Change
156	60	160%

Targets of investments

Name of Companies	Principal Activities	The Company's share of interest in investees (%)
Angang Dalian	Production, processing, wholesale and retail sale of steel products and relevant products	100
Dalian Shipbuilding Industry Group Steel Co., Ltd	Disassemble forage vessels, special vessels, offshore service vessels etc.	15

(2) Equity in Financial Enterprises held by the Company

Company name	Company type	Initial investment cost (RMB' million)	Number of shares held at the beginning of the Reporting Period (million shares)	Share-holding ratio at the beginning of the Reporting Period (%)	Number of shares held at the end of the Reporting Period (million shares)	Share-holding ratio at the end of the Reporting Period (%)	Book Value at the end of the Reporting Period (RMB' million)	Loss or gain during the Reporting Period (RMB' million)	Accounting item	Source of shares
Angang Financial Company	—	315	—	20	—	20	600	37	Long-term equity investments	Subscription of capitalization issue

(3) Securities Investment

Stock type	Stock code	Abbreviation	Number		Shareholding		Number		Book Value	Loss or gain	Accounting	Source of
			held at the	ratio at the	held at the	ratio at the	held at the	ratio at the				
			beginning	beginning	beginning	beginning	beginning	beginning				
			Initial	of the	of the	of the	of the	of the				
			investment	Reporting	Reporting	Reporting	Reporting	Reporting				
			cost	Period	Period	Period	Period	Period				
			(RMB'	(million		(million		(RMB'		(RMB'		
			million)	shares)	(%)	shares)	(%)	million)		million)		
Shares	600961	Zhuzhou Group (株冶集團)	81	10	1.9	10	1.9	59	0	Available for	Non-public	
										sale financial	offering	
										assets		

- The Company did not entrust any financial management, derivatives investments and entrusted loans during the Reporting Period.*
- Analysis of the major controlled companies and companies with a participating interest*

Unit: RMB' million

Name	Type	Industry	Main products or services	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
ANSC-TKS	Sino-foreign cooperative venture	Steel pressing and processing	Production of rolled hot dip galvanised steel products and alloyed steel plate and strip products, sale of self-produced products and provision of after-sale services	USD132 million	2,483	2,180	2,916	484	411

(VII) During the Reporting Period, the Company did not make any profit distribution.

(VIII) During the Reporting Period, the Company did not make any profit distribution or transfer of reserve to share capital.

(IX) Employees

As at 30 June 2013, the Company had 36,172 employees, of whom 27,994 were production personnel, 339 were sales personnel, 4,326 were technicians, 220 were accounting personnel and 1,589 were administration personnel. Among the employees of the Company, 8,008 held bachelor or higher degrees, representing 22.14% of the total number of employees; 8,862 employees held diplomas, representing 24.50% of the total number of employees and 17,106 employees held the certificates of secondary education, representing 47.29% of the total number of employees.

The Company has adopted position-based and risk-based annual remuneration packages for senior management, position-based remuneration packages and profit share incentives for new product development for technical research personnel, sales/profit-linked remuneration packages for sales personnel, and position-based remuneration packages for other personnel. In the first half of 2013, 27,428 employees were arranged to attend various training courses and among them, 195 senior management members attended training classes for fully promoting the spirit of the Eighteenth National People's Congress of the Communist Party; 139 professional technicians attended youth cadres training class and trainings for specific technology in colleges, to study for master degrees, and assumed a temporary secondment in TAGAL; 507 employees with excellent operating skills attended specific technology and innovation trainings; 26,587 other employees attended training for post-related knowledge and operating skills.

As a result of a series of trainings, the overall quality of employees had been improved, which guarantees a smooth implementation of production, operation and technological transformation for the Company.

(X) Purchase, Sale and Redemption of Listed Securities

For the six months ended 30 June 2013, there was no purchase, sale or redemption by the Company or any of its subsidiaries of its securities.

(XI) Securities Transactions of Directors

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

(XII) Independent Non-Executive Directors

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

(XIII) Audit Committee

The 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 personnel have reviewed the accounting standards, principles and methods adopted by the Company, and considered the unaudited interim financial information for the six months ended 30 June 2013.

III. SIGNIFICANT EVENTS

(I) Corporate Governance of the Company

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

With shares listed 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 to maximise the investment return for the shareholders in the long term.

The Company has adopted the code provisions (the “**Corporate Governance Code**”) set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has periodically reviewed its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code.

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

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

(IV) Transaction in Assets

1. Acquisition of assets

Counterparty or the ultimate controlling party	The acquired or merged assets	Transaction price (RMB0'000)	Progress	Impact on the operation of the Company	Impact on the profit or loss of the Company (RMB0'000)	Percentage of the net profit of the assets in the total net profit of the Company (%)	Whether is a connected transaction	Connected relationship with the counterparty (applicable to the connected transaction)
Angang Trade	Assets of the domestic trade business of Angang Trade	92,564	Fully transferred	The transaction did not affect the continuity of the Company's business and the stability of the management of the Company	Relevant business has been consolidated into the account of the Company and profit or loss cannot be calculated separately	—	Yes	Under the same control

2. Disposal of assets

Counterparty	Disposed assets	Date of disposal	Transaction price (RMB0'000)	Net profit of the assets contributed to the Company from the beginning of the period to date of disposal (RMB0'000)	Impact on the Company	Percentage of the net profit of the assets disposal in the total net profit of the Company (%)	Pricing principle	Whether is a connected transaction	Connected relationship with the counterparty (applicable to the connected transaction)	Whether the property rights of the assets have been fully transferred	Whether the debt involved has been fully transferred
Angang Trade	80% equity interests in Angang Putian	31 January 2013	115,279	-477	The transaction did not affect the continuity of the Company's business and the stability of the management of the Company	-0.68	Based on the appraisal results issued by the valuer qualified in engaging in securities business	Yes	Under the same control	Yes	Yes
Angang Holding	45% equity interests in Angang Tiantie	31 January 2013	113,850	-2,880	The transaction did not affect the continuity of the Company's business and the stability of the management of the Company	-4.10	Based on the appraisal results issued by the valuer qualified in engaging in securities business	Yes	Controlling shareholder	Yes	Yes

(V) Major Connected Transactions

1. Continuing connected transactions related to daily operations

A. Related party: Angang Holding Group

Connected relationship: Controlling shareholder of the Company

Disclosure date: 17 April 2012

Reference of disclosure: Announcement on the Estimated Continuing Connected Transactions from 2012 to 2013 of Angang Steel Company Limited (《鞍鋼股份有限公司關於2012-2013年度日常關聯交易預計公告》)

Settlement method of connected transaction: money payment

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Procurement of principal raw materials from the related party	Iron concentrate	Not higher than the average import price reported to the PRC customs in the second month preceding the month of the transaction (T-2), plus the railway transportation cost from Bayuquan Port to the Company, and adjusted based on the average weighted grade of the iron concentrate imported by the Company, in the second month preceding the month of the transaction (T-2). For every one percentage point increase or decrease in the grade of iron concentrate, the price shall be increased or decreased by RMB10/tonne. A discount equal to 5% of the average import price reported to the PRC customs in the second month preceding the month of the transaction (T-2) months shall apply on the price determined pursuant to the formula set out above. (T stands for the current month)	RMB800/tonne	2,631	44.81
	Pellet	Market price	RMB916/tonne	2,651	100.00
	Sinter ore	The price of iron concentrate plus processing cost in the preceding two months (T-2), the processing cost of which should not be higher than that of similar products produced by the Company.	RMB875/tonne	1,360	100.00
	Scrap steel	Market price	—	89	71.60
	Billets		—	91	99.18
	Alloy and non-ferrous metal		—	45	2.64
	Sub-total	—	—	6,867	58.27
Procurement of energy and power from the related party	Electricity	State price	RMB0.45/Kwh	725	27.83
	Water	State price	RMB2.67/tonne	29	24.86
	Stream	Cost of production plus gross profit margin of 5%	RMB38.54/GJ	18	100.00
	Sub-total	—	—	772	28.19

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Purchase of ancillary products from the related party	Lime stone	Not higher than the selling prices offered by relevant members of Angang Holding Group to independent third parties	RMB56.82/tonne	82	73.15
	Lime powder		RMB398.76/ tonne	379	89.53
	Refractory materials		—	238	34.66
	Coke		—	—	—
	Other ancillary materials		—	68	5.62
	Spare parts		—	165	13.36
	Sub-total	—	—	932	25.35
Purchase of support services from the related party	Railway transportation	State price	—	328	58.91
	Road transportation	Market price	—	182	79.26
	Agency services: Import of raw materials, equipment, components and ancillary materials; Export of products; Domestic sales of products	Commission not higher than 1.5% (not more than the commissions levied by major state-owned import and export companies of China)	—	52	100.00
	Repair and maintenance of equipment	Market price	—	497	65.87
	Design and engineering services		—	290	41.36
	Education facilities, vocational education, on- the-job training, translation work		—	0.8	32.82
	Newspaper and other publications	State price	—	0.2	19.01
	Telecommunication business and services, information system	State price or depreciation plus maintenance costs	—	13	67.48
	Production assistance and maintenance	Expenses of labour, materials and management as paid based on market prices	—	484	71.15
	Welfare assistance and maintenance		—	94.5	81.90
	Company vehicle services	Market price	—	0.5	50.72
	Environmental protection and security inspection services	State price	—	1	97.89
	Business reception and meeting	Market price	—	1	38.02
	Supply of heating	State price	—	—	—
	Greening services	Expenses of labour, materials and management as paid based on market prices	—	10	100.00
	Security services		—	21	78.56
	Sub-total	—	—	1,975	62.35

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Sale of goods to the related party	Cold-rolled sheets	The selling price charged by the Group to the independent third parties; for provision of aforesaid products for the development of new products by the other party, the price is based on the market price if the market price exists; if the market price is absent, the price is based on the principle of the cost plus a reasonable profit, while the reasonable profit rate is not higher than the average gross profit margin of related products provided by the relevant member company.	RMB4,016/tonne	149	1.26
	Heavy plates		RMB3,277/tonne	195	5.42
	Wire rods		RMB3,301/tonne	22	1.03
	Heavy section		RMB4,640/tonne	3	0.19
	Hot-rolled sheets		RMB3,326/tonne	654	5.04
	Medium plates		RMB3,279/tonne	40	5.17
	Galvanized steel sheets		RMB3,922/tonne	15	0.61
	Colour coated sheets		RMB6,690/tonne	1	0.13
	Seamless steel pipes		RMB3,615/tonne	5	0.74
	Molten iron		RMB2,219/tonne	12	100.00
	Billets		—	—	
	Coke		—	34	100.00
	Chemical by-products		—	75	7.37
	Sub-total	—	—	1,205	3.22
Sale of scrap steel and abandoned material to the related party	Scrap steel	Market price	—	55	98.20
	Abandoned material		—	4	20.97
	Obsolete assets or idle assets	Market price or appraised price	—	0.2	100.00
	Sub-total	—	—	59.2	78.07

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Sale of comprehensive services to the related party	Fresh water	State price	RMB3.00/tonne	23	98.07
	Clean recycled water	Market price or production cost plus a gross profit margin of 5%	RMB0.74/tonne	9	99.97
	Soft water		RMB4.90/tonne	0.2	100.00
	Gas		RMB54.53/GJ	222	80.79
	Blast furnace gas		RMB4.00/GJ	17	100.00
	Steam		RMB47.50/GJ	15	97.90
	Nitrogen		RMB237.50/km ³	1.6	33.76
	Oxygen		RMB423.11/km ³	1.7	15.62
	Argon		RMB365.17/km ³	0.4	14.95
	Compressed air		RMB105.97/km ³	0.5	100.00
	Used hot water		RMB19.24/GJ	27	90.98
	Product testing service	Market price	—	1.7	86.13
	Transportation service		—	0.2	100.00
	Sub-total	—	—	319.3	38.75

Reasons for the
continuing
connected
transactions:

As production in the iron and steel industry is on a continuous basis, Angang Holding Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of supply chain of the Company. In the meantime, its internal subsidiaries have a high technological level and service capabilities, which can provide necessary support services and financial services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Holding Group which is a client of the Company.

B. Related party: Angang Financial Company

Connected relationship: controlled indirectly by the controlling shareholder of the Company

Disclosure date: 17 April 2012

Reference of disclosure: Announcement on Connected Transaction of Providing Financial Services for the Company by Angang Financial Company (《鞍鋼股份有限公司關於鞍鋼集團財務有限責任公司為本公司提供金融服務的關聯交易公告》)

Settlement method of connected transaction: money payment

Type	Details	Pricing principle	Price	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Financial services provided by the related party	Interest on deposits	State price	—	3	25.35
	Maximum daily balance of deposit (including accrued interests)	—	—	5,795	—
	Loan balances	—	—	2,410	—
	Interest payable on loans and discounted bills	State price	—	113	14.38
	Entrusted loan balances	—	—	0	—
	Interest payable on entrusted loans	Not higher than the interest rate obtained by the Group from commercial banks during the same period	—	31	100.00

C. Related party: Pangang Vandaium & Titanium Group

Connected relationship: controlled indirectly by the controlling shareholder of the Company

Disclosure date: 17 April 2012

Reference of disclosure: Announcement on the Estimated Continuing Connected Transactions from 2012 to 2013 of Angang Steel Company Limited (《鞍鋼股份有限公司關於2012-2013年度日常關聯交易預計公告》)

Settlement method of connected transaction: money payment

Type	Details	Pricing principle	Price	Transaction amount (RMB' million)	As a percentage of similar transaction amount (%)
Purchase of raw materials from the related party	Iron concentrate	Not higher than the average import price of domestic iron concentrate reported to the PRC Customs in the month (T-2) plus the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the trade of the iron concentrate which was based on the average weighted grade of the iron concentrate imported by The Company in the month (T-2). For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/tonne. A discount equal to 5% of the average import price of domestic iron concentrate reported to the PRC Customs in the month (T-2) was granted on such a basis. (T stands for the current month)	RMB792/tonne	543	9.25
	Alloy	Market price	—	37	2.20
	Total		—	580	7.68

Reasons for the continuing connected transactions: Anqian Mining, owned by Pangang Vanadium & Titanium, has supplied iron concentrate for the Company for several years, and Pangang Vanadium & Titanium supplies alloy for the Company at the market price, which provides guarantee for the Company obtaining continuous and stable supply of raw materials.

2. Connected transactions of assets acquisition and disposal

Party	Relationship	Type	Content	Pricing Principle	Book value of transferred assets (RMB0'000)	Appraised value of transferred assets (RMB0'000)	Fair market value (RMB0'000)	Transfer price (RMB0'000)	Settlement	Loss or profit (RMB0'000)
Angang Trade	Under the same control	Asset Acquisition	Assets of the domestic trade business of Angang Trade	Based on the appraisal results issued by the valuer qualified in engaging in securities business	65,852	92,564	92,564	92,564	Replacement of assets, while the balance would be supplemented by the cash	-206
Angang Trade	Under the same control	Asset Disposal	Disposal of 80% equity interests in Angang Putian	Based on the appraisal results issued by the valuer qualified in engaging in securities business	120,000	115,279	115,279	115,279		0
Angang Holding	Controlling shareholder	Asset Disposal	Disposal of 45% equity interests in Angang Tiantie	Based on the appraisal results issued by the valuer qualified in engaging in securities business	166,500	113,850	113,850	113,850	Cash	3,790

Reasons for the significant difference between the transfer
price and the book value or the appraised value (if any)

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Impact on the operation result and the financial position of the Company

Refined the sales system of the Company and
improved its profitability.

3. *Connected transactions of joint investment*

Joint parties	Connected relationship	Pricing price	Investee	Principal business of the investee	Register red capital of the investee	Total assets of the investee (RMB0'000)	Net assets of the investee (RMB0'000)	Net profit of the investee (RMB0'000)
Angang Group Company and Pangang Vanadium & Titanium	Controlling shareholder, under the same control	Based on the appraisal result	Angang Financial Company	Provision of finance and fund raising services to members of the group; assistance in the receipt and payment of transaction accounts to members of the group; provision of guarantee to members of the group; provision of entrusted loans and entrusted investment services to members of the group; acceptance and discounting of bills for members of the group	RMB1,000 million before the capital increase	1,238,600 (at the end of 2012)	283,500 (at the end of 2012)	39,100 (at the end of 2012)

4. *Claims or obligations*

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

As at 30 June 2013, the bank borrowings of RMB10 million of the Group was guaranteed by Angang Holding.

5. *Other material connected transactions*

On 31 May 2013, the resolution in relation to the Supply of Materials and Services Agreement (2014-2015) entered into by the Company and Angang Holding and the resolution in relation to the Supply of Materials Agreement (2014-2015) entered into by the Company and Pangang Vanadium & Titanium were considered and approved at the 2012 annual general meeting of the Company.

(VI) Material Contracts and Their Performance

1. The Company did not enter into material transactions, custody, contracting or lease arrangement in respect of the assets of other companies nor did other companies enter into any custody, contracting or lease arrangement in respect of the assets of the Company during the Reporting Period.
2. There was no material guarantee which involved the Company during the Reporting Period.
3. The Company did not entrust any party with the management of any of its assets during the Reporting Period.
4. The Company did not enter into any other material contracts during the Reporting Period.
5. The Company did not entrust any party for financial management during the Reporting Period.

(VII) There Were no Undertakings in the Reporting Period.

By Order of the Board
ANGANG STEEL COMPANY LIMITED*
Ma Lianyong
Executive Director and Secretary to the Board

Anshan City, Liaoning Province, the PRC
29 August 2013

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

Executive Directors:

Zhang Xiaogang
Tang Fuping
Yang Hua
Wang Yidong
Ma Lianyong

Independent Non-executive Directors:

Li Shijun
Chen Fangzheng
Qu Xuanhui
Kwong Chi Kit, Victor

* *For identification purposes only*