鞍鋼股份有限公司

ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 0347)

2014 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB38,177 million
- Total profit amounted to RMB818 million
- Net profit attributable to shareholders of the Company amounted to RMB577 million
- Basic profit per share amounted to RMB0.08 (January to June in 2013: basic profit per share of RMB0.097)
- 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 2014 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 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"	Angang Group Company and its subsidiaries in which it holds more than 30% equity interests (excluding the Group);
"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 67.80% of the equity interest in the Company, and a major enterprise in the iron and steel industry of the PRC;
"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;
"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 Automoblie Steel Company Ltd. (鞍鋼蒂森克虜伯汽車鋼有限公司);
"Board"	the board of Directors of the Company;
"Company", "Angang Steel"	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 Chapter 14A of the Hong Kong Listing Rules;
"controlling shareholder"	has the meaning ascribed thereto under Chapter 1 of the Hong Kong Listing Rules;
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the 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;
"Karara"	Karara Mining Limited (卡拉拉礦業有限公司*), a company incorporated with limited liability in the state of Western Australia, Australia;
"Pangang Vanadium & Titanium"	Pangang Group Vanadium & Titanium Resources Co., Ltd. (攀鋼集團釩鈦資源股份有限公司), 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 2014 to 30 June 2014;
"RMB"	Renminbi, the lawful currency of the PRC; and
"%"	per cent.

I. FINANCIAL INFORMATION

Consolidated Balance Sheet
(as of 30 June 2014)

Unit: RMB' million

Items	*Note*	**30 Jun. 2014 (unaudited)**	31 Dec. 2013
Current assets:			
Cash at banks and on hand		**1,214**	1,126
Trading financial assets			
Notes receivable		**8,573**	10,623
Account receivables	2	**1,977**	2,134
Prepayments		**4,202**	3,042
Dividend receivable			
Other receivables		**24**	18
Inventories		**12,277**	12,356
Non-current assets due within one year			
Other current assets			
Total current assets		**28,267**	29,299
Non-current assets:			
Available-for-sale financial assets		**62**	56
Long-term equity investments		**3,552**	3,128
Investment properties			
Fixed assets		**44,366**	45,452
Construction in progress		**6,096**	5,756
Construction material		**113**	26
Intangible assets		**6,070**	6,147
Deferred income tax assets		**2,760**	3,001
Other non-current assets			
Total non-current assets		**63,019**	63,566
Total assets		**91,286**	92,865

Consolidated Balance Sheet *(continued)*
(as of 30 June 2014)

Unit: RMB' million

Items	*Note*	**30 Jun. 2014 (unaudited)**	31 Dec. 2013
Current liabilities:			
Short-term loans		**11,038**	9,241
Notes payable		**281**	47
Account payables	3	**10,700**	15,343
Advances from customers		**4,889**	4,031
Employee benefits payable		**362**	281
Tax and surcharges payable		**(17)**	(550)
Interest payables		**155**	196
Other payables		**1,904**	1,944
Non-current liabilities due within one year		**1,801**	1,271
Other current liabilities		**6,023**	6,001
Total current liabilities		**37,136**	37,805
Non-current liabilities:			
Long-term loans		**1,744**	3,044
Bonds payable		**3,978**	3,971
Deferred income tax liabilities		**20**	20
Other non-current liabilities		**917**	935
Total non-current liabilities		**6,659**	7,970
Total liabilities		**43,795**	45,775

Items	*Note*	**30 Jun. 2014 (unaudited)**	31 Dec. 2013
Shareholders' equity:			
Share capital		**7,235**	7,235
Capital reserve		**31,132**	31,136
Special reserve		**44**	21
Surplus reserves		**3,580**	3,580
Undistributed profits	4	**5,436**	5,054
Subtotal of Shareholders' equity attributable to shareholders of parent company		**47,427**	47,026
Minority interests		**64**	64
Total shareholders' equity		**47,491**	47,090
Total liabilities and shareholders' equity		**91,286**	92,865

Consolidated Income Statement
the six-month period ended 30 June 2014

Unit: RMB' million

Items	*Note*	**6 months ended 30 June 2014 (unaudited)**	6 months ended 30 June 2013 (unaudited)
1. Operating income		**38,177**	36,922
Including: Operating income from main business	5	**38,177**	36,922
2. Operating costs		**37,808**	36,628
Including: Operating costs for main business	5	**34,154**	32,423
Business tax and surcharges	6	**75**	122
Marketing expenses		**1,034**	790
Administrative expenses		**831**	1,744
Financial expenses	8	**679**	707
Impairment losses on assets		**1,035**	842
Add: Gains/losses from fair value variation			
Investment income		**405**	284
Including: Income from investment in joint ventures and associates		**320**	261
3. Operating profit		**774**	578
Add: Non-operating income		**81**	74
Less: Non-operating expenses		**37**	20
Including: Losses on non-current assets disposal		**32**	19

Items	*Note*	**6 months ended 30 June 2014 (unaudited)**	6 months ended 30 June 2013 (unaudited)
4. Profit before income tax		**818**	632
Less: Income tax expenses	9	**241**	(56)
5. Net profit for the period		**577**	688
Net profit attributable to shareholders of parent company		**577**	702
Gains/losses attributable to minority shareholders			(14)
6. Earning per share			
(1) Basic earnings per share *(RMB Yuan/share)*	10	**0.080**	0.097
(2) Diluted earnings per share *(RMB Yuan/share)*	10	**0.080**	0.097
7. Other comprehensive income		**(4)**	(32)
8. Total comprehensive income		**573**	656
Share of total comprehensive income attributable to shareholders of parent company		**573**	670
Share of total comprehensive income attributable to minority interest			(14)

NOTES

(Expressed in RMB' million 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, and prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS") and the disclosure requirements 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).

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

2. ACCOUNT RECEIVABLES

(a) Classification of Accounts Receivable

	Closing balance			
	Book value		Bad debt provision	
Type	Amount	Percentage *(%)*	Amount	Percentage *(%)*
Accounts receivable with significant single amount subject to individual impairment	**1,601**	**81**		
Accounts receivable with insignificant single amount subject to individual impairment	**376**	**19**		
Total	**1,977**	**100**		

(Cont'd)

Type	Opening balance			
	Book value		Bad debt provision	
	Amount	Percentage	Amount	Percentage
		(%)		*(%)*
Accounts receivable with significant single amount subject to individual impairment	1,921	90		
Accounts receivable with insignificant single amount subject to individual impairment	213	10		
Total	2,134	100		

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

(b) *Accounts Receivable classified by aging*

Aging	Closing balance			
	Book value		Bad debt provision	
	Amount	Percentage	Amount	Percentage
		(%)		*(%)*
Within 1 year	**1,976**	**100**		
1 to 2 years				
2 to 3 years				
Over 3 years	**1**			
Total	**1,977**	**100**		

(Cont'd)

Aging	Opening balance — Book value Amount	Opening balance — Book value Percentage (%)	Opening balance — Bad debt provision Amount	Opening balance — Bad debt provision Percentage (%)
Within 1 year	2,128	100		
1 to 2 years	5			
2 to 3 years				
Over 3 years	1			
Total	2,134	100		

3. ACCOUNT PAYABLES

Aging	Closing balance Balance	Closing balance Percentage (%)	Opening balance Balance	Opening balance Percentage (%)
Within 1 year	**10,605**	**100**	15,232	99
1 to 2 years	**48**		44	
2 to 3 years	**1**		2	
Over 3 years	**46**		65	1
Total	**10,700**	**100**	15,343	100

4. UNDISTRIBUTED PROFITS

Items		This period
Opening balance		
Increase of the year		**5,054**
Including:	Net profit transferred this period	**577**
	Other adjustment factors	**577**
Decease of the period		
Including:	Extraction of surplus reserve this period	**195**
	Extraction of general risk provisions this period	
	Distribution of cash dividend this period	
	Conversed capital	**195**
	Other decreases	
Closing balance		**5,436**

Note: On 4 June 2014, the Annual General Meeting of Shareholders of 2013 considered and approved the profit distribution plan for 2013, based on the total share capital 7,234,807,847 shares as at 31 December 2013. The Company declared cash dividend of RMB0.027 per share to the shareholders, representing a total of RMB195 million distributed.

5. OPERATING INCOME AND OPERATING COST

(a) *Operating income and operating cost*

Items	This period	Last period
Operating income from main business	**37,961**	36,887
Other operating income	**216**	35
Total	**38,177**	36,922
Operating cost for main business	**34,015**	32,395
Other operating cost	**139**	28
Total	**34,154**	32,423

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

(b) Main business by industry

Name of industry	**This period** Operating income from main business	**This period** Operating cost from main business	Last period Operating income from main business	Last period Operating cost from main business
Ferrous metal smelting and steel rolling process	**37,961**	**34,015**	36,887	32,395
Total	**37,961**	**34,015**	36,887	32,395

(c) Main business by products

Name of products	**This period** Operating income from main business	**This period** Operating cost from main business	Last period Operating income from main business	Last period Operating cost from main business
Hot rolled products	**12,615**	**11,992**	12,968	11,755
Cold rolled products	**12,788**	**10,850**	13,270	10,984
Medium-thick plate	**5,343**	**4,735**	4,389	3,828
Others	**7,215**	**6,438**	6,260	5,828
Total	**37,961**	**34,015**	36,887	32,395

(d) Operating income by region

Regions	**This period** Operating income	**This period** Operating cost	Last period Operating income	Last period Operating cost
China	**33,808**	**30,183**	33,797	29,491
Overseas	**4,153**	**3,832**	3,090	2,904
Total	**37,961**	**34,015**	36,887	32,395

(e) Operating income from top five customers

Period	Operating income from top five customers	Proportion (%)
This period	**6,110**	**16**
Last period	5,057	14

6. BUSINESS TAXES AND SURCHARGES

Items	This period	Last period
Resources tax and business tax	**1**	2
City maintenance and construction tax	**43**	70
Educational surcharge and local educational surcharge	**31**	50
Total	**75**	122

7. DEPRECIATION AND AMORTIZATION

Items	This period	Last period
Depreciation of fixed assets	**1,952**	2,094
Amortization of intangible assets	**77**	82
Total	**2,029**	2,176

8. FINANCIAL EXPENSES

Items	This period	Last period
Interest expense	**800**	853
Less: Interest income	**4**	13
Less: Capitalized interest expense	**130**	138
Exchange gain or loss	**4**	(14)
Less: Capitalized exchange gain or loss		
Others	**9**	19
Total	**679**	707

9. INCOME TAX EXPENSES

Items	This period	Last period
Current Income tax expenses	**1**	9
Deferred income tax expenses	**240**	(65)
Total	**241**	(56)

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. In accordance with the specific terms and clauses of the issuance contract, the number of newly issued ordinary shares shall be calculated and decided as from the date of consideration receivable (generally the date of issuance of stocks).

For the Company, the diluted earnings per share shall be calculated by dividing the current net profits belonging to the shareholders of ordinary shares by the weighted average number of ordinary shares issued to the public. When calculating the diluted earnings per share, the Company shall adjust the current net profits belonging to the shareholders of ordinary shares for the items as follows:

(i) the interests of the diluted potential ordinary shares expensed in the current year;

(ii) the gains or losses resulted from the conversion of the diluted potential ordinary shares; and

(iii) the effects of the income tax on the above adjustments.

The weighted average number of the ordinary shares issued to the public in the current period shall be the sum of (i) the weighted average number of ordinary shares in calculating the basic earnings per share and (ii) the weighted average number of increased ordinary shares assuming that the diluted potential ordinary shares have already been converted into ordinary shares.

When calculating the increase in the weighted average number of ordinary shares resulting from conversion from the diluted potential ordinary shares into ordinary shares, the diluted potential ordinary shares offered in prior periods shall be assumed to be converted at the beginning for the current period. The diluted potential ordinary shares issued in the current period shall be assumed to be converted at the date of offer.

(a) Basic EPS and diluted EPS

	This period		Last period	
Net profit	**Basic EPS** ***(RMB Yuan/ share)***	**Diluted EPS** ***(RMB Yuan/ share)***	Basic EPS *(RMB Yuan/ share)*	Diluted EPS *(RMB Yuan/ share)*
Net profit attributable to holders of ordinary shares	**0.080**	**0.080**	0.097	0.097
Net profit (exclusive of non-operating profit) attributable to holders of ordinary shares	**0.075**	**0.075**	0.088	0.088

(b) Calculation of basic EPS and diluted EPS

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

Items	**This period**	Last period
Net profit attributable to holders of ordinary shares	**577**	702
Including: Net profit attributable to continuing operations	**577**	702
Net profit (exclusive of non-operating profit) attributable to holders of ordinary shares)	**544**	635
Including: Net profit attributable to continuing operations	**544**	635

(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

(a) SIGNIFICANT COMMITMENTS

Items	**As at 30 June 2014**	As at 31 December 2013
Investment contracts entered but not performed yet or performed partially	**745**	1,402
Construction and renovation contracts entered but not performed yet or performed partially	**4,985**	3,022
Total	**5,730**	4,424

(b) PERFORMANCE OF THE COMMITMENT IN PREVIOUS YEARS

As at 30 June 2014, the Group has performed all their commitments according to the promise of prior commitments.

13. NET CURRENT ASSETS

Items	**Closing balance**	Opening balance
Current assets	**28,267**	29,299
Less: current liabilities	**37,136**	37,805
Net current assets/(liabilities)	**(8,869)**	(8,506)

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	**91,286**	92,865
Less: current liabilities	**37,136**	37,805
Total assets less current liabilities	**54,150**	55,060

II. REPORT OF THE BOARD OF DIRECTORS

(I) Summary

In the first half of 2014, amid the slowdown of domestic economic growth, there was still an aggravated mismatch between the supply and demand in the iron and steel industry with weakness in the price of steel products. In face of the challenging market conditions, the Company reaffirmed its basis of cost reduction and efficiency enhancement, optimised production structure, and operated steadily and efficiently as a whole; advanced the scientific research and development, refined its products portfolio and improved the supervision of quality; enhanced the marketing and opened up new dimension in marketing; innovated the mode of procurement, and enhanced the adaptability to changes in the market; strengthened the management of energy, and pressed ahead the efficient use of energy; hence reached a satisfactory target on production and operation of the Company.

In the first half of 2014, the Company achieved net profit attributable to the shareholders of the Company of RMB577 million, representing a decrease of 17.81% as compared with the corresponding period of the previous year. Basic profit per share was RMB0.08, representing a decrease of 17.53% 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 RMB38,177 million, representing an increase of 3.4% as compared with the corresponding period of the previous year. The operating cost was RMB34,154 million, representing an increase of 5.34% as compared with the corresponding period of the previous year. The Group also achieved the operating profit of RMB774 million and total profit of RMB818 million, representing an increase of 33.91% and 29.43% as compared with the corresponding period of the previous year, respectively. Net profit of RMB577 million and net profit attributable to the shareholders of the Company of RMB577 million, representing a decrease of 16.13% and 17.81% 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 changes**
Operating income	**38,177**	36,922	3.40	Note 1
Operating costs	**34,154**	32,423	5.34	Note 2
Marketing expenses	**1,034**	790	30.89	Note 3
Administrative expenses	**831**	1,744	–52.35	Note 4
Financial expenses	**679**	707	–3.96	Note 5
Income tax expenses	**241**	–56	530.36	Note 6
Investment Income	**405**	284	42.61	Note 7
Net cash flow from operating activities	**1,385**	10,663	–87.01	Note 8
Net cash flow from investing activities	**–1,378**	161	–955.90	Note 9
Net cash flows from financing activities	**81**	–10,980	100.74	Note 10
Net increase of cash and cash equivalents	**88**	–156	156.41	Note 11

Notes:

(1) Operating income increased by RMB1,255 million as compared with the corresponding period of the previous year, mainly attributable to the increase in sales of steel products.

(2) The operating costs increased by RMB1,731 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in sales of steel products; and (ii) part of costs classified into manufacturing costs due to a further streamlined analysis of the relevance between maintenance costs and production conducted by the Company.

(3) Marketing expenses increased by RMB244 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in sales and (ii) the increase in transportation expenses following the increase in the volume of settlement with users by CIF prices as part of the Company's efforts in optimising its logistics management.

(4) Administrative expenses decreased by RMB913 million as compared with the corresponding period of the previous year, mainly attributable to part of costs classified into manufacturing costs due to a further streamlined analysis of the relevance between maintenance costs and production conducted by the Company, which contributed to a reduction in administrative expenses as compared with the corresponding period of the previous year.

(5) Financial expenses decreased by RMB28 million as compared with the corresponding period of the previous year, mainly attributable to the fact that the Company controlled financial expenses by taking measures of trade financing for import and export in settling its transactions; duly discounted the bills at a discount rate below the benchmark of loan interest rate; and measures such as systematic capital planning, minimising stock of cash at banks and on hand, and issuing the letter of credit, which led to a reduction in financial expenses as compared with the corresponding period of the previous year.

(6) The income tax expenses increased by RMB297 million as compared with the corresponding period of the previous year, mainly attributable to the analysis and adjustment of deferred income tax subject to the taxable income of the Company.

(7) Investment income increased by RMB121 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in dividend declared by WISDRI Engineering and Research Incorporation in the Reporting Period, an associate of the Company; and (ii) the increase in net profit for the period of ANSC-TKS, a joint venture of the Company.

(8) Net cash flow from operating activities decreased by RMB9,278 million as compared with the corresponding period of the previous year, mainly attributable to the fact that firstly the Company has commenced the business of documentary bills for imported raw materials for a term of six months since February last year. The payment of imported raw materials were adjusted from prepayment to payable, thus reducing cash outflow of the purchase of goods and services as compared with the corresponding period of the previous year. Moreover, the Company started to repay the inward documentary bills in revolving batches since August last year, and the cash level on the purchase of goods and services was back to normal. Secondly, the scale of production and sales expanded led to an increase in the amount of procurement.

(9) Net cash flow from investing activities decreased by RMB1,539 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in cash paid for investment and the increase in cash paid for construction of fixed assets and construction in progress and (ii) net cash amounted to RMB844 million was received from assets exchange and share transfer transaction of the Company in the corresponding period of the previous year.

(10) Net cash flows from financing activities increased by RMB11,061 million as compared with the corresponding period of the previous year, mainly due to the fact that cash repaid for loans in the current period was less than that of the same period of the previous year.

(11) Net increase of cash and cash equivalents increased by RMB244 million, mainly due to (i) decrease of RMB9,278 million in the net cash inflow from operating activities over the corresponding period of the previous year caused by the increased cash payment for goods procurement and labour services in the current period; (ii) the decrease of RMB1,539 million in net cash flow from investing activities over the corresponding period of the previous year caused by the increase in the cash payment for investment as well as cash paid for acquisition of fixed assets and construction in progress, and the decrease in other cash received from investment activities in the current period; and (iii) the increase of RMB11,061 million in the net cash flows from financing activities as cash repaid for borrowings in the current period was less than cash repaid for loans over the corresponding period of the previous 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 of the operation plan disclosed in the previous period during the Reporting Period*

(1) Optimising production organisation to achieve stable and efficient operation as a whole

During the Reporting Period, the Group produced 10,983,300 tons of iron, 10,852,800 tons of steel and 10,164,200 tons of steel products, representing an increase of 5.43%, 8.38% and 7.48%, respectively, over the corresponding period of the previous year. Sale of steel products amounted to 10,021,400 tons, representing an increase of 9.78% as compared with the corresponding period of the previous year. The Group also achieved a 98.60% 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 on quality survey and improvement" to improve the output from production lines with higher benefits. The efficiency of production and operation was improved by enhancing production coordination, optimising balance of system, improving logistic management, innovating delivery pattern and reducing transportation costs, and thus achieving a steady increase in production scale.

(2) Adopting innovative procurement model to achieve purchase cost reduction and profit growth

In order to purchase at low prices and avoid high prices, the Company established an assessment system for low-price purchase which allows flexible adjustment on procurement strategy and effectively mitigates cost and inventory risks, contributing to significant decrease in purchase cost. Advantages of differential purchase were given full play while adjusting procurement strategy in a timely manner to obtain initiative in negotiation and thus achieve cost reduction through differential purchase. More efforts were made to explore resources to obtain cost-effective resources while purchase structure was optimised to expand the profit growth points of the Company.

(3) Vigorously expanding the market with new achievement in marketing

In the first half of the year, the Company facilitated the overall strategic cooperation along the whole industrial chain consisting of production, sales, research and exploitation with strategic users by enhancing technical support and services provided to strategic consumers. In the meantime, the Company continued to strengthen the development of direct users while maintaining cooperation with quality agents. Leveraging on the stable distribution channels and sound financing capacity of agents, the market share of our products were enlarged through entrusted sales and other means.

More efforts were dedicated to exportation by seizing the opportunity of favourable international market in the first half of the year. From January to June 2014, the Company recorded sales for export settlement of 1,080,600 tonnes, representing an increase of 314,800 tonnes as compared to the corresponding period of last year.

(4) Accelerating the development of scientific research with remarkable progress in the ability of independent innovation

The establishment of new products stepped into a good path with continuous improvement by enhancing technical exchange of new products, execution of agreements, undertaking contracts, product design, industrial trial production and volume production, product inspection and delivery as well as follow-up management in users' entire use procedure.

(5) Optimising system reform and improving operation mechanism

Reform of marketing system was further deepened to set up customer-focused and market-oriented marketing management system and customer services system featured with unified coordination, flexibility, efficiency and personality. With an aim to facilitate effective collaboration of marketing management system and motivate the enthusiasm of sales personnel, objective assessment was adopted in respect of job performance at all level while appraisal mechanism was improved to fully stimulate the initiatives of marketing personnel.

The Company deepened the reform of supporting system and mechanism regarding quality survey and improvement. In order to implement quality survey and improvement and create an operation management pattern focused on customers and oriented by market, the Company enhanced the adjustment on product portfolio, promoted upgrading and updating of products to achieve high-end oriented and differential. Productivity as well as domestic and international competitiveness of our products were reinforced in a comprehensive manner. Systematic planning and design for supporting system and mechanism regarding quality survey and improvement were carried out. Optimization design was also conducted by the Company in respect of indicators of internal performance assessment while relevant incentive policy was further formulated and improved.

(6) Enhancing financial management to continuously improve enterprise capital performance

The Company deepened the cost management efforts to improve cost competitiveness. Research was conducted on tackling specialized cost problems by analysis on specialized cost calculation, specialized structure and systematic cost analysis, so as to identify the key problems and adopt effective measures. Quality cost accounting and analysis was carried out in details while stricter control was made over the key problems to reduce the loss of quality cost and enhance the guidance of quality cost review in a continuous manner.

The Company took precautions against funding risk to improve capital performance. Documentary letter of credit payment business and import and export bill for low-cost financing business continued to be promoted by consolidating and broadening financial channels as well as expanding the scope of cooperation with financial institutions. Internal control was strengthened to reduce the occupancy of stock capital, proceeds from notes as well as inflow and outflow, which released the financial pressure of the enterprise.

(7) Focusing on energy conservation and environmental protection to facilitate the sustainable and sound development

The implementation of energy saving projects was carried forward to effectively utilise energy. Great efforts were made to promote the implementation of energy saving projects by enhancing the energy base management in an in-depth manner to improve the efficiency. Firstly, refined management on energy was strengthened. Tiered pricing was first applied to water and steam while works regarding water and steam conservation were facilitated with guidance. Secondly, management on recycling and utilising residual energy and heat was tightened. With the utilisation of Top Pressure Recovery Turbine ("TRT") of blast furnace generating power, the recycling rate of converter gas was significant improved. Thirdly, a series of energy saving projects was conducted by leveraging the advanced energy conservation technology, which improved the overall efficiency and significantly increased the power generated by using residual energy.

4. *Liquidity and Financial Resources*

As at 30 June 2014, the Group had long-term loans of RMB1,744 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 twenty-five years, the loans will expire during the period from 2015 to 2018. The loans are mainly used for replenishing working capital. The Group's long-term loans due within one year amounted to RMB1,801 million.

In 2014, 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 2014, the Group had a capital commitment of RMB5,730 million, which was primarily attributable to the construction and renovation contracts and the external investment contracts, which were 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 for production 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 2014, the Group's ratio of equity to liability was 1.08 times and the figure was 1.03 times as at 31 December 2013.

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

8. *Contingent liabilities*

As of 30 June 2014, the Group had no contingent liabilities.

(III) COMPOSITION OF THE PRINCIPAL BUSINESSES

Principal businesses of the Group by industry and products

Unit: RMB' million

	Operating income	Operating cost	Gross profit margin (%)	Increase/ decrease in operating income as compared with the corresponding period of the previous year (%)	Increase/ decrease in operating cost as compared with the corresponding period of the previous year (%)	Increase/ decrease in gross profit margin as compared with the corresponding period of the previous year *(Percentage point)*
By industry						
Steel pressing and processing industry	37,961	34,015	10.39	2.91	5.00	–1.79
By products						
Hot-rolled sheets products	12,615	11,992	4.94	–2.72	2.02	–4.41
Cold-rolled sheets products	12,788	10,850	15.15	–3.63	–1.22	–2.08
Medium-thick plates	5,343	4,735	11.38	21.74	23.69	–1.40

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 significant decrease in the prices of steel products. Despite the increase in sales volume of products, it was not enough to set off the decreased operating income due to the decline of price. The increase in operating cost was mainly attributable to the increase in the sales volume of products. The Company continued to carried forward cost reduction and efficiency enhancement. Great efforts were made to cut down processing cost and expenditures to reduce unit cost of operation. However, the increased sales of products resulted in the increase in the total operating cost. The decrease in gross profit margin was mainly due to the fact that the decrease in product price was more than the decrease in per unit cost of product.

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 the decrease in the prices of products. The decrease in operating cost was mainly due to: (i) the Company pressed ahead with streamline production management while tackling key problems on special technique for each procedure of process to improve economic and technical indicators and reduce processing costs and (ii) the decrease in price of crude fuel. The decrease in gross profit margin was primarily attributable to the fact that the decrease in product price was more than the decrease in operating cost.

3. The increase in operating income and cost of medium-thick plates over the corresponding period of the previous year was mainly due to the increase in sales of products. The decrease in gross profit margin was primarily due to the fact that the decrease in product price was more than the decrease in unit cost of product.

Segmental information of operating revenue of the Group by geographical locations

Unit: RMB' million

	Operating revenue from main operation	**Increase/ decrease in operating revenue from main operation as compared with the corresponding period of previous year** *(%)*
Northeast China	14,709	9.08
North China	2,088	–35.26
East China	9,763	7.87
South China	6,618	–5.13
Central south China	418	–40.71
Northwest China	140	–43.09
Southwest China	72	–34.55
Export sales	4,153	34.40
Total	37,961	2.91

(IV) OPERATION PLAN FOR THE SECOND HALF OF THIS YEAR

1. Focus on solving the bottlenecks during the production while increasing equipment support to optimise production balance and achieve stable production and operation.

2. Based on the aim of cost reduction and efficiency enhancement to comprehensively improve the core revenue generating abilities of the enterprise.

3. Further optimise the product structure by speeding up the promotion of new, exclusive and strategic products to improve the profitability of products in a continuous manner.

4. Continue to enhance energy management to intensify energy supervision, promote energy-saving technology and facilitate the management on energy conservation projects.

5. Continue to strengthen marketing and technical services for customers. Quality control will be enhanced throughout the whole process based on the standard required by customers, in a bid to promote the image of the Company.

6. Strengthen the implementation of environmental production by strictly following the state requirements regarding to reduction of pollutant emission, so as to effectively achieve further improvement in environmental indicators.

7. Improve corporate management by deepening the reform, carrying forward with innovation and risks management.

(V) ANALYSIS ON THE CORE COMPETITIVENESS

The core competitiveness of the Company had no change in the first half of 2014.

(VI) ANALYSIS OF INVESTMENTS

1. *External equity investments*

(1) External Investments

Investments in the Reporting Period *(RMB' million)*	**Investments in the corresponding period of the previous year** *(RMB' million)*	**Change** *(%)*
845	156	442

Targets of investments

Name of Companies	**Principal Activities**	**The Company's Percentage of Interest in Investees** *(%)*
Angang Steel Distribution (Wuhan) Co., Ltd.	Production, process, wholesale and retail of steel and related products	100
Angang Financial Company	Deposit, loans and finance, etc.	20
Shenyang Angang International Trade Co., Ltd.	Sales of metal products and building materials, etc.	100
Shanghai Angang International Trade Co., Ltd.	Wholesale, retail, consignment-sales and purchase services	100
Tianjin Angang North International Trade Co., Ltd.	Purchase and sales of metal materials, etc.	100
Guangzhou Angang International Trade Co., Ltd.	Import and export of goods and technology, trade of wholesale and retail	100
Angang Steel Processing and Distribution (Zhengzhou) Co., Ltd.	Process, manufacture, sales and storage of steel and related products, and provision of technology consultation and services	100
Angang Guangzhou Automotive Steel Co., Ltd.	Steel rolling process; production of non-ferrous alloy; production of steel structure; production of steel structural components; metal surface treatment and heat-treatment process	100
Angang Chongqing Gaoqiang Automotive Steel Co., Ltd.	Production and process of galvanized coil and aluminizing coil	50
Shanghai Huagongbao E-Commerce Co., Ltd.	Electronic commerce, as well as wholesale, retail, consignment-sales and purchase of chemical materials and products, etc.	23.08

(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 (%)	Investment cost at the end of the Reporting Period (RMB' million)	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	842	1,074	38	Long-term equity investments	Subscription to the additional issuance

(3) Securities Investment

Stock type	Stock code	Abbreviation	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
Shares	600961	Zhuzhou Group (株冶集團)	81	10	1.9	10	1.9	62	—	Available for sale financial assets	Non-public offering

2. *The Company did not have any entrusted financial management, derivatives investments and entrusted loans during the Reporting Period.*

3. *Use of proceeds*

Not applicable.

4. *Analysis of major subsidiaries and associates*

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	2,653	2,328	3,280	596	524
Angang Financial Company	Company with limited liability	Finance	Deposit, lending and financing	2,000	17,707	5,380	475	340	255

5. *Material projects of non-financing investment*

Not applicable.

(VII) The Implementation of Profit Distribution of the Company in the Reporting Period

On 4 June 2014, the 2013 annual general meeting of the Company was held in Anshan which considered and approved the profit distribution proposal for the year of 2013. Based on the total share capital of 7,234,807,847 shares, the profit distribution proposal for the year of 2013 was cash dividend of RMB0.27 for every 10 shares. On 30 June 2014, the Company distributed cash dividend to H shareholders and the applicable exchange rate was the average central parity rate of RMB to Hong Kong dollars published by the People's Bank of China for the calender week immediately prior to the 2013 annual general meeting, i.e. HK$100 to RMB79.584. The distribution of cash dividend by the Company to H shareholders amounted to HK$37 million. On 30 June 2014, the Company distributed in aggregate of RMB166 million cash dividend to holders of tradable A shares and holders of state-owned shares. The Company distributed a total of RMB195 million of cash dividend for the year of 2013.

(VIII) During the Reporting Period, the Company did not perform profit distribution nor transfer capital reserve to share capital.

(IX) Employees

As at 30 June 2014, the Company had 34,751 employees, amongst whom 26,657 were production personnel, 343 were sales personnel, 4,501 were technicians, 288 were accounting personnel and 1,047 were administration personnel. Among the employees of the Company, 8,032 had bachelor's degree or higher, representing 23.11% of the total number of employees; 8,569 employees held diploma, representing 24.66% of the total number of employees and 15,619 employees held the certificates of secondary education, representing 44.95% of the total number of employees.

In the first half of 2014, the Company has arranged for 28,352 employees to attend various training courses and among them, 247 professional technicians attended youth cadres training class and trainings for specific technology in colleges; 638 employees with excellent operating skills attended specific technology and innovation trainings; 27,145 other employees attended training for job-related knowledge and operating skills.

As a result of a series of trainings, the overall quality of employees had been improved continuously, which further enhanced the competitiveness of the Group, and provided extensive talent and intelligence support.

The Company has adopted position-based incentive packages and risk-based annual remuneration packages for senior managers, position-based incentive packages and profit share incentives for new product development of technical research personnel, sales/profit-related remuneration packages for sales personnel, and position-based incentive packages for other personnel.

(X) Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended 30 June 2014, 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 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 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 relevant audit and internal control, including the unaudited interim financial report for the six months ended 30 June 2014.

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 and the Corporate Governance Guideline of Listed Companies and the Guidelines for the Internal Control of Listed Companies of the Shenzhen Stock Exchange, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system.

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

The Company has adopted the code provisions (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 *(RMB 0'000)*	Progress	Impact on the operation of the Company	Impact on the profit or loss of the Company *(RMB 0'000)*	Percentage of the net profit of the assets disposal in the total net profit of the Company *(%)*	Whether it is a connected transaction	Connected replationship with the counterparty (applicable to the connected transaction)
Angang Holding	Acquisition of the existing part of production instrument of Angang Holding	5,127	Completed	Built a pellet production line in Bayuquan to satisfy the needs of Bayuquan Branch Company, replaced the pellet transported from Anshan Area and lowered the cost.	—	—	Yes	Controlling shareholder

2. *Disposal of assets*

During the Reporting Period, there was no disposal of assets of the Company.

3. *Business combinations*

None.

(V) Major Connected Transactions

1. *Connected transactions related to daily operations*

A. Related party: Angang Group

Connected relationship: Controlling shareholder of the Company

Settlement method of 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 Angang Steel Company Limited, 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)	RMB790/tonne	2,952	30.83
	Pellet	Market price	RMB936/tonne	2,768	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 Angang Steel Company Limited.	RMB853/tonne	1,344	100.00
	Karara magnetite	Single price = reference price + difference of port transportation cost In particular, reference price means that after loading in the place of loading in the corresponding month, the average value of middle price (measured by the amount of cents of USD per dry metric ton) of Platts 65% (applicable to standard products) or 62% (applicable to low standard products) CFR, the north part of China (Qingdao Port) announced daily by SBB Steel Markets Daily (《SBB鋼鐵市場日報》) is divided by 65 (applicable to standard products) or 62 (applicable to low standard products). Difference of port transportation cost: It means the difference of transportation cost of shipping in dry metric ton between applicable products and shipping inventory. The difference of transportation cost of shipping in dry metric ton from Qingdao Port to Bayuquan, Liaoning Province is divided by 65 (applicable to standard products) or 62 (applicable to low standard products).	RMB863/tonne	383	100.00
	Scrap steel	Market price	—	130	21.46
	Billets		—	136	92.60
	Alloy and non-ferrous metal		—	40	2.32
	Sub-total	—	—	7,753	46.84
Procurement of products from the related party	Steel products		RMB3,480/ tonne	73	100.00
Procurement of energy and power from the related party	Electricity	State price	RMB0.45/Kwh	796	32.90
	Water	State price	RMB2.1/tonne	22	20.81
	Stream	Cost of production plus gross profit margin of 5%	RMB36.35/GJ	16	100.00
	Sub-total	—	—	834	32.82
Purchase of ancillary products from the related party	Lime stone	Not higher than the selling prices offered by relevant members of Angang Group to independent third parties	RMB55.83/ tonne	91	78.26
	Lime powder		RMB406.53/ tonne	378	90.26
	Refractory materials		—	292	43.48
	Other ancillary materials		—	166	12.92
	Spare parts		—	200	10.07
	Sub-total		—	1,127	25.18

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB' million)*	As a percentage of similar transaction amount *(%)*
Purchase of support services from the related party	Railway transportation service	State price	—	304	54.86
	Road transportation service	Market price	—	271	89.44
	Agency services: Import, export and domestic sales of raw materials, equipment, components and ancillary materials;	Commission not higher than 1.5% (not more than the commissions levied by major state-owned import and export companies of China)	—	61	100.00
	Repair and maintenance of equipment and service	Market price	—	452	64.82
	Design and engineering services		—	482	48.40
	Newspaper and other publications	State price	—	0.3	14.14
	Telecommunication business and services, information system	State price or depreciation plus maintenance costs	—	13	62.55
	Production assistance and maintenance	Expenses of labour, materials and management as paid based on market prices	—	366	65.34
	Welfare assistance and maintenance		—	102	85.82
	Company vehicle services	Market price	—	1	81.55
	Environmental protection and security inspection services	State price	—	1	5.22
	Business reception and meeting expenses	Market price	—	2	43.53
	Supply of heating fee	State price	—	0.5	1.43
	Greening services	Expenses of labour, materials and management as paid based on market prices	—	9	100.00
	Sub-total	—	—	2,064.8	60.97

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB' million)*	As a percentage of similar transaction amount *(%)*
Sale of goods to the related party	Steel Products	The selling price charged by the Group to the independent third parties; for provision of aforesaid products for the development of new products by the other party, the price is based on the market price if the market price exists; if the market price is absent, the price is based on the principle of the cost plus a reasonable profit, while the reasonable profit rate is not higher than the average gross profit margin of related products provided by the relevant member company.	RMB3,016/ tonne	1,502	4.24
	Molten iron		RMB2,129/ tonne	32	100.00
	Billets		RMB2,726/ tonne	234	74.68
	Coke		—	27	100.00
	Chemical by-products		—	100	9.49
	Sub-total	—	—	1,895	5.14
Sale of scrap steel and abandoned material to the related party	Scrap steel	Market price	—	82	56.54
	Abandoned material		—	2	59.06
	Obsolete assets or idle assets	Market price or appraised price	—	1	100.00
	Sub-total	—	—	85	56.86
Sale of comprehensive services to the related party	Fresh water	State price	RMB3.13/tonne	26	98.08
	Clean recycled water	Production cost plus a gross profit margin of 5%	RMB0.74/tonne	9	99.97
	Soft water		RMB4.90/tonne	0.4	100.00
	Gas		RMB53.54/GJ	248	79.63
	Blast furnace gas		RMB4.00/GJ	28	100.00
	Steam		RMB47.51/GJ	16	97.59
	Nitrogen		RMB260.80/km^3	3	40.68
	Oxygen		RMB416.25/km^3	3	27.82
	Argon		RMB609.38/km^3	1	17.78
	Compressed air		RMB106.10/km^3	0.5	100.00
	Used hot water		RMB6.01/GJ	8	78.01
	Product testing service	Market price	—	2	90.17
	Transportation service		—	50	33.46
	Sub-total	—	—	394.9	38.22
Reasons for the continuing connected transactions:	As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of 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 for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.				

B. Related party: Angang Financial Company

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

Settlement method of connected transaction: money payment

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB' million)*	As a percentage of similar transaction amount *(%)*
Financial services provided by the related party	Interest on deposits	State price	—	2	55.40
	Maximum daily balance of deposit (including accrued interests)	—	—	3,426	—
	Interest payable on loans, discounted bills and entrusted loans	Not higher than the interest rate obtained by the Group from commercial banks during the same period	—	26	3.26

C. Related party: Pangang Vanadium & Titanium Group

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

Settlement method of connected transaction: money payment

Type	**Details**	**Pricing principle**	**Price** *(RMB)*	**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)	RMB787/tonne	715	7.47
	Alloy	Market price	—	39	2.24
	Total		—	754	6.67
Reasons for the continuing connected transactions:	Anqian Mining, a subsidiary of 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 Holding	Controlling shareholder	Asset Acquisition	Acquisition of some of the current pellet production equipment of Angang Holding	Based on the appraisal results issued by the valuer qualified in engaging in securities business	957	6,207	5,127	5,127	Cash at banks and on hand	—

Reasons for the substantial difference between the transfer price and the book value or the appraised value (if any)	The main reasons for the increase in net valuation value of machines and equipment: the Company adopted the depreciable life of six years for most machines and equipment for the valuation, which was less than the combined value of used years and remaining useable years, which were 5-25 years (most were 10-20 years) for the valuation, and only residual value remained in the book value of some of the equipment on the valuation base date.
Impact on the operating result and the financial condition of the Company	Built a pellet production line in Bayuquan to satisfy the needs of Bayuquan Branch Company, replaced the pellet transported from Anshan Area and lowered the cost.

3. *Connected transactions of joint external investments*

Joint parties	Connected relationship	Principles of Pricing price	Investee	Principal business of the investee	Registered capital of the investee *(RMB0'000)*	Total assets of the investee *(RMB0'000)*	Net assets of the investee *(RMB0'000)*	Net profit of the investee *(RMB0'000)*
Pangang Group Xichang Steel & Vanadium Company Limited (攀鋼集團西昌鋼釩有限公司)	Under the common control	Subject to the registered capital of the joint company and investment ratio	Angang Chongqing High-strength Automobile Steel Co., Ltd. (鞍鋼重慶高強汽車鋼有限公司)	the production, sales, warehousing and logistics of cold rolled steel rolls (plates) and galvanized steels rolls (plates); the shearing, distribution and processing of steel rolls (plates)	10,000	27,721	10,000	0
Angang Group Company, Pangang Vanadium & Titanium	Controlling shareholder; Under the common control	Subject to the valuation results	Angang Financial Company	Providing services related to financing member entities and financial; assisting member entities in the settlement of accounts payable and receivable; providing guarantees for member entities; handling entrusted loan and investment between member entities; handling bill acceptance and discounting for member entities, etc.	200,000	1,770,700	538,000	25,500

4. *Claims or obligations*

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

As at 30 June 2014, the bank borrowings of RMB21 million of the Group were guaranteed by Angang Holding.

(VI) Material Contracts and Their Performance

1. *Entrustment, contracting and leasing matters*

On 20 November 2012, the Company entered into Assets Exchange Agreement and Share Transfer Agreement, and Entrustment Agreement with Angang Trade and Angang Holding, respectively. Pursuant to such agreements, upon the completion of the assets exchange and share transfer, Angang Trade and Angang Holding will entrust the Company with 80% equity interests of Angang Putian and 45% equity interests of Angang Tiantie, respectively. On 30 January 2013, the Company convened its first extraordinary general meeting in 2013 which considered and approved the 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 Complex (《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 Entrustment of Certain Subsidiaries of Anshan Iron & Steel Group Complex* and Angang Group International Trade Corporation* (《關於本公司託管鞍山鋼鐵集團公司、鞍鋼集團國際經濟貿易公司下屬部份公司股權的議案》).

The Company did not enter into material contracting and lease arrangement 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) Commitments of the Company or Shareholders with Shareholding of 5% or more During or Subsisted in the Reporting Period.

1. *Non-competition commitments of Angang Holding:*

On 20 May 2007, based on the industry policies of national iron and steel industry and the development conditions of the domestic iron and steel industry, Angang Holding issued the Non-competition Undertaking Letter of Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司避免同業競爭承諾函) to the Company:

(1) Angang Holding and its wholly-owned and holding subsidiaries have complied with relevant requirements of the state on the non-competition.

(2) Angang Holding and its wholly-owned and holding subsidiaries have never engaged in any business which directly or indirectly compete with the iron and steel business, the principal business of the Company.

(3) Angang Holding undertakes that the Company is entitled to the preemption rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlling subsidiaries of Angang Holding, which are related to the iron and steel business of the Company.

(4) If the enterprises in which Angang Holding holds equity interests produce products or engage in business which compete or may compete with the Company, Angang Holding undertakes that it will transfer all the capital contribution, shares or equity interests and grant the Company preemptive rights for such capital contribution, shares or equity interests.

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

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

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

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

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

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

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

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

(1) Angang Holding ceases to be the controlling shareholder of the Company.

(2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of the shares of the Company due to any reason).

(3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.

Considering that Angang Holding does not have any iron and steel production projects in production which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitions with the Company before the date of the issuance of the undertaking letter.

Period of undertakings: effective for a long-term.

Performance of undertakings: During the Reporting Period, there was no breach of such undertakings by the undertaker.

2. *Fulfilment of undertaking of the substantial shareholder and its parties acting in concert regarding not reducing their shareholding during the Reporting Period*

On 6 August 2013, the Company published the announcement in relation to the increase of holdings of the Company's A shares by the substantial shareholder. According to the disclosure, Angang Holding, the controlling shareholder of the Company, increased its holdings of the Company's A shares via the trading system of Shenzhen Stock Exchange on 2 August 2013. Also, within six months of the initial purchase of shares, Angang Holding intends to increase its holdings of A shares in aggregate of not more than 2% of the total share capital of the Company (including the shares purchased in the initial increase of shareholding). Angang Holding will acquire a minimum amount of not less than 0.5% of the total share capital provided that the price of A share is not higher than RMB3 per share (the "Shareholding Increase Plan"). Angang Holding also undertook that it would not reduce its shareholding in the Company within the period of shareholding increase and the statutory period.

As of 26 December 2013, Angang Holding has completed the Shareholding Increase Plan via the trading system of Shenzhen Stock Exchange by way of pooled bidding. Before the shareholding increase, Angang Holding held 4,868,547,330 A shares of the Company, representing 67.29% of the total share capital of A shares. After the shareholding increase, Angang Holding held 4,904,908,290 A shares of the Company, representing 67.80% of the total share capital of A shares.

Angang Holding has strictly fulfilled its undertakings and has not reduced its shareholding in the Company within the period of shareholding increase and the statutory 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
13 August 2014

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:
Chen Fangzheng
Qu Xuanhui
Liu Zhengdong
Chau Chi Wai, Wilton

* *For identification purposes only*