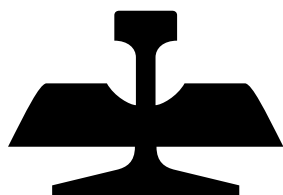


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鞍 鋼 股 份 有 限 公 司

ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 0347)

2014 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB74,046 million
- Total profit amounted to RMB1,579 million
- Profit for the year attributable to shareholders of the Company amounted to RMB928 million
- Basic earnings per share amounted to RMB0.128 (Year of 2013: RMB0.106 per share)
- The financial information contained in this announcement was prepared in accordance with the PRC ASBE

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

“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 67.29% of the equity interest of the Company and a major enterprise in the iron and steel industry of the PRC
“Board”	the board of Directors of the Company
“Company”	Angang Steel Company Limited*(鞍鋼股份有限公司)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region)
“PRC ASBE”	Accounting Standards for Business Enterprises – Basic Standard and 41 Specific Standards issued by the Ministry of Finance of the PRC and application guidance, bulletins and other relevant accounting regulations issued thereafter collectively
“Reporting Period”	the 12-month period from 1 January 2014 to 31 December 2014

PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Unit: RMB' million

Items	2014	2013		Changes over the preceding year (%)	2012	
		Prior to adjustment	After adjustment	After adjustment	Prior to adjustment	After adjustment
Operating income	74,046	75,329	75,329	-1.70	78,214	78,214
Operating profit	1,565	664	664	135.69	-5,390	-5,390
Total profit	1,579	728	728	116.90	-5,320	-5,320
Net profit attributable to shareholders of the Company	928	770	770	20.52	-4,025	-4,025
Net profit attributable to shareholders of the Company after extraordinary items	917	695	695	31.94	-4,077	-4,077
Net cash flow from operating activities	2,137	10,563	10,563	-79.77	2,568	2,568
Basic earnings per share (RMB/share)	0.128	0.106	0.106	20.75	-0.556	-0.556
Diluted earnings per share (RMB/share)	0.128	0.106	0.106	20.75	-0.556	-0.556
Basic earnings per share after extraordinary items (RMB/share)	0.127	0.096	0.096	32.29	-0.564	-0.564
Diluted earnings per share after extraordinary items (RMB/share)	0.127	0.096	0.096	32.29	-0.564	-0.564
Returns on net assets on weighted average basis (%)	1.96	1.64	1.64	Increase by 0.32 percentage points	-8.29	-8.29
Return on net assets on weighted average basis after extraordinary items (%)	1.93	1.48	1.48	Increase by 0.45 percentage points	-8.39	-8.39

Items	At the end of 2014	At the end of 2013		Changes over the preceding year (%)	At the end of 2012	
		Prior to adjustment	After adjustment	After adjustment	Prior to adjustment	After adjustment
Total assets	91,291	92,865	92,865	-1.69	103,337	103,337
Total liabilities	43,095	45,775	45,775	-5.85	54,304	54,304
Owner's equity attributable to shareholders of the Company	47,793	47,026	47,026	1.63	47,358	47,358
Net assets per share attributable to shareholders of the Company (<i>RMB/share</i>)	6.61	6.50	6.50	1.69	6.55	6.55
Assets-liability ratio (%)	47.21	49.29	49.29	Decreased by 2.08 percentage points	52.55	52.55
Total share capital	7,235	7,235	7,235	—	7,235	7,235

EXTRAORDINARY ITEMS AND AMOUNTS AFFECTED ON PROFIT:

Unit: RMB' million

Extraordinary items	2014	2013	2012
1. Gains or losses from disposal of non-current assets	-81	-9	11
2. Government subsidies (except for government subsidies which are closely related to the Company's normal operations, in compliance with requirements of the national policies and entitled continuously in a fixed amount or quantity in conformity with the applicable standards) attributable to gains or losses for the period	101	113	63
3. Net gains/losses of subsidiaries during the current period from business combinations under the common control from the beginning of the period to the combination date	—	-2	
4. Other non-operating income and expenses apart from those stated above	-6	-2	-4
5. Effect of income tax	-3	-25	-18
Total	11	75	52

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

OPERATING RESULTS FOR 2014

The Group recorded a net profit attributable to shareholders of the Company of RMB928 million and basic earnings per share of RMB0.128 for the year ended 31 December 2014 as compared to a net profit attributable to shareholders of the Company of RMB770 million and a basic earnings per share of RMB0.106 for the year ended 31 December 2013.

DIVIDEND DISTRIBUTION

As audited and confirmed by Ruihua Certified Public Accountants (Special General Partnership), the Company recorded a net profit attributable to shareholders of the Company of RMB928 million for the year of 2014 in accordance with the PRC ASBE. At the year end of 2014, profit distributable to shareholders of the Company amounted to RMB5,787 million. On the basis of the total share capital consisting 7,234,807,847 shares, the Board proposes to distribute cash dividend of RMB0.045 per share (including tax) to shareholders for the year of 2014, which amounts to RMB326 million of the distributable profits. Upon implementing such proposal, distributable profits of RMB5,461 million will remain. This proposal shall be subject to consideration at the forthcoming 2014 annual general meeting. Information regarding the record date and book close date for the entitlement to the final dividend and attendance of the annual general meeting will be announced in due course.

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

Any natural person investor whose H shares are registered under the name of any such non-individual shareholders and who does not wish to have any corporate income tax to be withheld by the Company may consider transferring the legal title of the relevant H shares into his or her name and duly lodge all transfer documents with the relevant H share certificates with the Company's H share registrar for registration. All investors should consider the above contents carefully. The Company will strictly comply with the relevant PRC tax laws and regulations to withhold for payment the 10% corporate income tax; and the dividend will only be payable to the shareholders whose names appear on the H share register of members of the Company. The Company assumes no responsibility or liability whatsoever for confirming the identity of the shareholders of the Company and for any claims arising from any delay in or inaccurate determination of the identity of shareholders of the Company or any disputes over the withholding mechanism.

BUSINESS REVIEW

In 2014, the over-supply situation had not fundamentally improved amid the increasingly fierce competition from similar products in the steel market. To address the challenges, the Company seized the opportunities arising from the market to advance the synergistic development of production, sales and development, thus improving its profitability amid the market competition.

1. Optimizing the management and control of production, new breakthrough was achieved in production and operation

During the Reporting Period, the Group produced 21,780,000 tons of iron, 21,450,000 tons of steel and 20,050,000 tons of steel products, representing an increase of 0.7%, 3.05% and 3.51%, respectively, as compared with the previous year. Sale of steel products amounted to 19,990,000 tons, representing an increase of 5.12% as compared with the previous year. The Group also realized a 99.70% sale-to-production ratio for steel products.

In 2014, in accordance with the principle of “steady and smooth operations, growth in scale, improvement of indices, and reduction of costs”, the Company strengthened organization of production, and communication and coordination among various production bases and comprehensively improved the operation quality. In addition, the Company optimized the model for regular repair and maintenance of equipment, so as to enable the equipment to operate at low cost and with long useful life. Accordingly, have achieved steady increase in production volume during in the year.

2. Lowering cost and enhancing efficiency on a regular basis, the profitability was continuously improved

The Company reduced its processing cost through strengthening the process management, lowered its purchase cost of raw materials and fuels through analysing market dynamics, and effectively reduced the cost for iron-making and coking by being market-oriented, optimizing the structure for coal blending, ore proportioning and materials in blast furnaces. In addition, it lowered the consumption of iron and steel materials for steel-making by measures such as improving the visible proportion of combined blown converter, increasing the use of auxiliary materials containing iron, and enhancing the recovery ratio of casting residues.

The Company reduced the logistic expenses through optimizing logistic models. It carried out integration of logistic system and realized the centralized management of logistic resources. Following the innovation in the road transportation mode and optimization of marine logistics operations, the logistic expenses were decreased substantially. Meanwhile, the logistic efficiency was improved as the Company enhanced construction of logistic parks and rendered multi-channel distribution service, such as distributing products from the finished products warehouse and logistic parks or self-pickup of products by customers from the logistic parks.

3. Keeping abreast of the market direction, the profitability was further enhanced

The Company further strengthened its efforts in sales and marketing and enhanced market development. The customers' satisfaction was continuously improved by establishing a comprehensive system of major customers manager and enhancing services for strategic customers. Meanwhile, it strengthened development of medium and small customers to which the Company supplies products directly, and further improved the E-commerce platform, thus increasing the Company's market share continuously. The distribution channel was broadened gradually after the Company proactively advanced "mutual market" marketing mode (namely mutual supply of products). In addition, the Company strengthened its exploration effort for market of key projects, actively participated in the tendering process of projects, and was the bid winner of various projects including Sinopec project.

The Company has established business senses and further advanced benefit creation by energy. It engaged in sales of energy, explored market-oriented operation mode, and enhanced the benefit creation by energy through means such as developing external users of the Company's energy, optimizing allocation structure of energy products and raising the price for steam supplied to external users.

By synchronizing with the international markets, the Company improved the standards of its export products. In 2014, the Company's steel for pressurized containers and high-end suede-like galvanized steel sheets made their debut in the international market. In addition, successfully developed SPHT3B steel for manufacturing pipes and SAE1022Cr high-strength pickling plates and such products were exported to Korea. The sales for export settlement for the year amounted to 2,506,600 tons.

4. Improving quality refinement system and optimizing portfolio of varieties

The Company strengthened its efforts in building teams which integrated the functions of production, sales and development, and carried out the Promotion Campaign at 100 Research Institutes (百院百所推介行). Meanwhile, the Company coordinated and advanced optimization of products, shifting the focus from production of products to product-related services. By leveraging upon the strategic basis of developing the eight major carbon steel products series into leading products in China, the Company has expedited the pace of new products research and development. It has completed project establishment for 76 new products, entered into 309 agreements for new products development with external parties, inspected and accepted 43 new product projects and developed 68 new steel types. The Company also expanded its clientele by 111 new customers.

By developing high-end products, the Company implemented the differentiated product strategy. The steel plates for nuclear power equipment developed by the Company ranked top among steel maker enterprises. The Company has been engaged exclusively to manufacture the world's first CAP1400 two-bases generating unit and successfully manufactured the ultra-thick level 1 16 MND5 steel plates used for nuclear equipment, marking a breakthrough in the domestic market. The steel plates developed by the Company for marine engineering purposes have earned orders for 4,000 tons from the Ocean Oil 982 Project (海洋石油982項目) for the Company. A new breakthrough was achieved in exploring the market for the high-end steel for bridge building and orders for such steel reached 162,000 tons in 2014. The Company achieved preliminary results in development of seamless steel products, and has developed new products such as the AGQ770E premium-standard steel tube for crane boom, non-API hydrogen-sulfide-resistant oil well pipes, abrasion resistant tube, and new materials for J55 thermal insulation casing pipe.

5. Optimizing system and mechanism, and corporate management was improved to a new level

The Company intensified its reform and implemented system innovation. It integrated the Cooperation Center of Equipment Inspection and Repair in an orderly manner achieving a smooth transition. A branch factory management model under the centralized management system for the headquarter steel-making plant was established, by which the management system was optimized and management efficiency was enhanced. All employees' innovation and creation vitalities were motivated under the management and control system of "comprehensive budget as basis, target-oriented management for all employees as measures, and project support as guarantee" (全面預算為基礎、全員目標值管理為手段、項目支撐為保障).

It optimized management and control mode to promote management upgrade. The Company implemented lean management on investment projects, strict control over budget, scientific assessment of projects and stringent approval procedures. Through effectively strengthening capital management, and emphasizing on implementing "recovery, reduction and control" (回、壓、控) measures, the Company reduced the misappropriation of funds and prevented the capital risk.

6. Enhancing the safety and environmental protection to achieve green production

The Company implemented the accountability system of safe production and established a round-the-clock and comprehensive safety monitoring system, which improved the level of safety management in a continuous manner. By upholding and following the theory of green development, adopting advanced process and technologies such as “coke dry quenching, dry dedusting for blast furnace, dry dedusting for converters and TRT power generation” (三幹一電), and CCPP co-generation and energy management informationization, it vigorously promoted the projects for improvement of air and water environment. The Company implemented 59 projects for the purpose of energy-saving and emission reduction as well as green production in tandem, thereby improving the environmental quality and controlling the air pollution. In addition, it gradually decommissioned eight outdated small coke ovens and took measures to control the smoke dust generated during the steel-making process in converters, which enabled the Company to develop on a positive track of green growth. Accordingly, remarkable achievements were made in clean production.

DEVELOPMENT PLANS FOR 2015

1. Future development strategies

The Company will enhance its independent innovation, optimize the industrial layout, build high-quality bases, improve its core competitiveness, implement green manufacturing and achieve scientific development.

Enhancing independent innovation. The Company will set the “high-strength steel” as its “benchmark” product in the forthcoming stage, and focus on advancing in the core directions including cold-rolling products such as steel for automobiles and appliances and hot-rolling products such as steels for shipbuilding and machines, so as to realize independent innovation in respect of more core technologies. For the purpose of service innovation, a customer-oriented “service excellence” system will be established along the whole value chain.

Optimizing the industrial layout. The Company will extend the industry chain of iron and steel through establishing joint venture or carrying out cooperation with upstream resources companies and downstream customers, thereby achieving production in multiple production bases across the country.

Building high-quality bases. Focusing on medium and high-end products, differentiated products and unique and special products, the various production bases will determine their differentiated product positioning in accordance with their development status and market demand, so as to achieve development with a balanced product portfolio.

Improving core competitiveness. Through intensively developing at low costs and high efficiency, the Company strives to achieve profitability above the average level in the iron and steel industry in China.

Implementing green manufacturing. By implementing the principle of “waste reduction, reuse and recycle”, the Company is committed to building a resource-conserving and environment friendly enterprise.

Achieving scientific development. Through emphasising on the people as the core element, the Company has established a comprehensive, harmonious and sustainable perspective of development, so as to achieve the comprehensive development of the economy, society, enterprises and people.

2. Operation plan for the year of 2015

In 2015, the Company will continue to follow the guideline of “elements integration, efficiency and professionalism, wastes reduction and recycling” (整合要素、簡捷專業、減量循環) so as to achieve internal management improvement.

- (1) Enhance production management and control capacity and improve efficiency from the scale of production.
- (2) Promote the management of regular cost reduction and efficiency enhancement to reduce operating cost in an all-round manner.
- (3) Innovate sales and marketing models and enhance capacity of customer services.
- (4) Strengthen research and development to produce individualized and high-value refined iron and steel products.
- (5) Intensify lean management and enhance the Company’s risk prevention and control capacity.
- (6) Enhance energy-saving, emission reduction and promote green manufacturing.

3. Plans for funding requirements

For the year of 2015, capital investment of RMB5,015 million is planned to be injected into the Group's main construction projects such as the environmental protection renovation project for No.3 Steelmaking Work Area of the Group, major renovation project for overhaul of No.5 Coking Workshop, construction of 60,000 cubic-meter oxygen generator by Energy Center, and external investments.

The sources of funding for the Group in 2015 mainly include cash inflows from operating activities and bank loans.

ANALYSIS OF FINANCIAL INFORMATION

1. Overview

Unit: RMB' million

Item	Reporting Period	Corresponding period of the previous year	Increase/ decrease of the Reporting Period as compared with the corresponding period of the previous year	Explanation and reasons for significant change
			(%)	
Operating income	74,046	75,329	-1.70	Operating income decreased as compared with the corresponding period of the previous year, mainly due to the decrease in the price of steel products.

Item	Reporting Period	Increase/ decrease of the Reporting Period as compared with the Corresponding period of the previous year		Explanation and reasons for significant change
		Corresponding period of the previous year	corresponding period of the previous year (%)	
Operating costs	65,490	66,929	-2.15	Operating costs decreased as compared with the corresponding period of the previous year, mainly attributable to (i) the decrease in price of raw materials and fuels in the market and the increased efforts for purchase at due time by the Company, resulting in a decrease in purchase costs; and (ii) the vigorous potential tapping by the Company against the continuously sluggish steel market, to promote cost reduction and efficiency enhancement in a systematic way, thus bringing down processing cost and expenditures.
Sales and marketing expenses	2,218	1,743	27.25	Sales and marketing expenses increased by RMB475 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in sales volume 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.
Administrative expenses	1,850	3,270	-43.43	Administrative expenses decreased by RMB1,420 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.

Item	Reporting Period	Increase/ decrease of the Reporting Period as compared with the Corresponding period of the previous year		Explanation and reasons for significant change
		Corresponding period of the previous year	corresponding period of the previous year (%)	
Financial expenses	1,272	1,218	4.43	Financial expenses increased by RMB54 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in both the Company's loan and bank loan interest; and (ii) the increase in the Company's bills discounting interests.
Total profit	1,579	728	116.90	Total profit and net profit attributable to shareholders of the Company increased as compared with the previous year, mainly attributable to (i) the decrease in price of raw materials and fuels in the market and the increased efforts for purchase at due time by the Company, resulting in a decrease in purchase costs; (ii) more efforts in adjustment of product mix, increase in the sales proportion of strategic products, unique leading products and new products, and increase in steel price; and (iii) the fact that, against the continued sluggish iron and steel market, the Company focused on tapping internal potentials to promote cost reduction and efficiency enhancement in a systematic way, and tackled key problems on special technique for each procedure of process to improve economic and technical indicators and reduce processing costs and expenditures.
Net profit attributable to shareholders of the Company	928	770	20.52	

Item	Reporting Period	Corresponding period of the previous year	Increase/ decrease of the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Net cash flow	586	-1,997	129.34	Net cash flow increased by RMB2,583 million as compared with the previous year, mainly attributable to (i) the decrease of RMB8,426 million in net cash inflow from operating activities as compared with the previous year; (ii) the increase of RMB1,835 million in net cash outflow from investing activities as compared with the previous year; and (iii) the increase of RMB12,844 million in net cash flows from financing activities as compared with the previous year.

2. Income

Is the Company's income from sales of goods greater than its income from provision of services

☒ Yes

☐ No

Industry Classification	Item	2014	2013	Year-on-year increase/ decrease (%)
Steel rolling process industry	Sales volume (0'000 tons)	1,999.21	1,901.83	5.12
	Production volume (0'000 tons)	2,004.96	1,936.95	3.51
	Stock volume (0'000 tons)	119.04	105.06	13.31

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

☐ Applicable ☒ Not applicable

Material changes or adjustment in products or services during the Reporting Period

☐ Applicable ☒ Not applicable

3. Cost

Industry Classification:

Unit: RMB' million

Industry Classification	Item	2014	As a	2013	As a	Year-on-year increase/ decrease <i>(percentage point)</i>
		Amount	percentage of operating costs	Amounts	percentage of operating costs	
			(%)		(%)	
Steel rolling						
process industry	Raw materials and fuels	50,063	76.58	51,944	77.80	−1.22
	Power supplies	6,269	9.59	5,869	8.79	0.80
	Depreciation	3,772	5.77	3,806	5.70	0.07
	Employee remuneration	3,504	5.36	2,804	4.20	1.16
	Others	1,766	2.70	2,343	3.51	−0.81
	Total	65,374	100.00	66,766	100.00	—

4. Expenses

Unit: RMB' million

Financial indicators	Reporting Period	Corresponding period of the previous year	Increase/decrease of the Reporting Period as compared with the corresponding period of the previous year (%)
Sales and marketing expenses	2,218	1,743	27.25
Administrative expenses	1,850	3,270	—43.44
Financial expenses	1,272	1,218	4.43
Income tax expenses	655	—27	2,525.93

Note:

- (1) Sales and marketing expenses in the year increased by RMB475 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in sales volume and (ii) the increase in transportation expenses following the increase in settlement at CIF for users as part of the Company's efforts in optimizing its logistics management.
- (2) Administrative expenses in the year decreased by RMB1,420 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.
- (3) Income tax expenses increased by RMB682 million as compared with the corresponding period of the previous year, mainly attributable to the analysis and adjustment of deferred income tax by the Company based on its taxable income.

5. R&D expenditure

Unit: RMB' million

Item	2014	2013	Year-on-year increase/ decrease (%)
R&D expenditure for the current period included in profit or loss for the period	2,079	2,108	−1.38
R&D expenditure for the current period recognised as intangible assets	—	—	—
Total R&D expenditure	2,079	2,108	−1.38
Percentage of total R&D expenditure over net assets attributable to the parent company (%)	4.35	4.48	−0.13
Percentage of total R&D expenditure over operating income (%)	2.81	2.80	0.01

6. Cash flow

Unit: RMB' million

Item	2014	2013	Year-on-year increase/ decrease (%)
Sub-total of cash inflow from operating activities	65,234	67,154	-2.86
Sub-total of cash outflow from operating activities	63,097	56,591	11.50
Net cash flow from operating activities	2,137	10,563	-79.77
Sub-total of cash inflow from investing activities	671	707	-5.09
Sub-total of cash outflow from investing activities	5,096	3,297	54.56
Net cash flow from investing activities	-4,425	-2,590	-70.85
Sub-total of cash inflow from financing activities	25,325	27,924	-9.31
Sub-total of cash outflow from financing activities	22,451	37,894	-40.75
Net cash flows from financing activities	2,874	-9,970	128.83
Net increase of cash and cash equivalents	586	-1,997	129.34

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

☒ Applicable ☐ Not applicable

- (1) A decrease of RMB8,426 million in net cash flow from operating activities for the year as compared with the previous year was mainly attributable to (i) the fact that the Company carried out the business of documentary bills for importation last year. The cash outflow for the purchase of goods and services decreased for the corresponding period of the previous year. However, the Company repaid the inward documentary bills in revolving batches this year, and the cash level on the purchase of goods and services was back to normal; (ii) the increase in the amount of procurement as a result of the expansion of the scale of production and sales; and (iii) the decrease in cash from sales of goods due to the decrease in the prices of steel products.

- (2) An increase of RMB1,799 million in cash outflow from investing activities and an increase of RMB1,835 million in net cash outflow from investing activities for the year as compared with the previous year were mainly attributable to the increase in cash paid for purchase and construction of fixed assets, construction in progress and investment.
- (3) A decrease of RMB15,443 million in cash outflow from financing activities and an increase of RMB12,844 million in net cash flows from financing activities for the year as compared with the previous year were mainly attributable to the decrease in cash paid for repayment of bank borrowings by the Company.
- (4) An increase of RMB2,583 million in net cash flow for the year as compared with the previous year was mainly attributable to (i) a decrease of RMB8,426 million in net cash inflow from operating activities as compared with the previous year arising from the increase in cash paid for procurement of goods and services for the year and the decrease in cash from sales of goods and provision of services; (ii) an increase of RMB1,835 million in net cash outflow from investing activities as compared with the previous year arising from the increase in cash outflow from investing activities as a result of the increase in cash paid for purchase and construction of fixed assets, construction in progress and investments; and (iii) an increase of RMB12,844 million in net cash flow from financing activities as compared with the previous year due to the decrease in cash paid for repayment of borrowings for the year.

Explanations on Reasons for Significant Differences in Cash Flow from Operating Activities and Net Profit of the Company during the Reporting Period

☐ Not applicable ☒ Not applicable

7. Liquidity and financial resources

As at 31 December 2014, the Group had long-term loans (exclusive of loans due within one year) of RMB1,371 million with interest rates ranging from 5.535% to 6.15% per annum. Under the terms of three to twenty-five years, the loans will fall due during the period from 2016 to 2018. The loans are mainly used for replenishing working capital. The Group's long-term loans due within one year amounted to RMB1,701 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 credit rating of “AAA”. In 2014, 16 financial institutes which had strategic cooperation with the Company had given credits to the Company. The Group is capable of repaying its debts when they become due.

As at 31 December 2014, cash and bank balances of the Group denominated in foreign currencies was nil (31 December 2013: RMB61 million).

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

Unit: RMB million

	31 December 2014	31 December 2013
RMB	1,712	1,065
US dollars	—	61
HK dollars	—	—
Others	—	—
Total	<u>1,712</u>	<u>1,126</u>

As at 31 December 2014, the Group had a total capital commitment of RMB5,165 million, which was primarily attributable to the construction and renovation contracts entered into but not yet performed or partially performed, and the external investment contracts entered into but not yet performed or partially performed.

8. Foreign exchange risk

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

9. Composition of the principal businesses in 2014

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	73,809	65,374	11.43	-1.71	-2.08	0.34
By products						
Hot-rolled sheets products	25,538	23,792	6.84	-2.77	-0.94	-1.72
Cold-rolled sheets products	24,986	20,733	17.02	-5.69	-7.60	1.71
Medium and thick plates	10,324	9,159	11.28	13.16	11.56	1.27

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 impact of decrease in the prices of products. The increase in sales volume of products was insufficient to cover the decrease in operating income as a result of the decrease in the prices. The decrease in gross profit margin was mainly attributable to a more significant decrease in the prices of products as compared with the decrease in the per unit cost of products.

- 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 of operating cost was due to (i) the decrease in the prices of raw materials and fuels in the market and the increased efforts for purchase at due time by the Company, resulting in a decrease in purchase cost and (ii) the fact that the Company pressed ahead with streamlined production management while tackling key problems on special technique for each procedure of process to promote cost reduction and efficiency enhancement in a systematic way and greatly cut down processing cost and expenditures. The increase in gross profit margin was mainly attributable to (i) the Company's great efforts in reducing costs and (ii) the adjustment of product mix and sales of products with higher profit margin.
- 3) The increase in operating income from and operating cost of medium and thick plates as compared with the corresponding period of the previous year was primarily due to the increase in sales volume of products. The increase in gross profit margin was mainly attributable to (i) the Company's great efforts in reducing costs and (ii) the sales of products with higher profit margin as the Company has adjusted the product mix.

Segmental information of operating revenue from principal businesses of the Group by geographical locations of sales

Unit: RMB' million

	Operating revenue from principal business	Increase/decrease in operating revenue from principal business as compared with the previous year (%)
Northeast China	28,998	4.58
North China	3,985	-32.25
East China	17,758	-3.10
South China	12,777	-13.86
Central south China	670	-20.52
Northwest China	300	-34.92
Southwest China	97	-46.99
Export sales	9,224	34.93
Total	<u>73,809</u>	<u>-1.71</u>

ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in assets

Unit: RMB' million

	End of 2014		End of 2013		Explanation Increase/ decrease (%) for significant change	
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary assets	1,712	1.88	1,126	1.21	0.67	—
Account receivables	1,835	2.01	2,134	2.30	-0.29	—
Inventories	10,865	11.90	12,356	13.31	-1.41	—
Investment properties	—	—	—	—	—	—
Long-term equity investments	3,135	3.43	2,434	2.62	0.81	—
Fixed assets	46,122	50.52	45,452	48.94	1.58	—
Construction in progress	5,933	6.50	5,756	6.20	0.30	—

2. Significant change in liabilities

Unit: RMB' million

	2014		2013		Explanation Increase/ decrease (%) for significant change	
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Short-term loans	14,672	16.07	9,241	9.95	6.12	—
Long-term loans	1,371	1.50	3,044	3.28	-1.78	—

3. Assets and liabilities measured at fair value

Unit: RMB' million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Gains or losses arising from changes in fair value reported in equity	Impairment made for the period	Purchase in the current period	Disposal in the current period	Closing balance
Financial assets							
Of which:							
1. Financial assets measured at fair value through profit and loss (excluding derivative financial assets)	—	—	—	—	—	—	—
2. Derivative financial assets	—	—	—	—	—	—	—
3. Available-for-sale financial assets	56		11				96
Sub-total of financial assets	56	—	11	—	—	—	96
Investment properties							
Productive biological assets							
Others							
Total	56	—	11	—	—	—	96
Financial liabilities	—	—	—	—	—	—	

Material changes in measurement of assets during the Reporting Period

☐ Yes ☒ No

4. Gearing ratio

As at 31 December 2014 and as at 31 December 2013, the Group's ratio of equity to liability was 1.12 times and 1.03 times respectively.

5. Pledge of assets

As of 31 December 2014, the Group had no pledge of assets.

6. Contingent liabilities

As of 31 December 2014, the Group had no contingent liabilities.

ANALYSIS ON THE CORE COMPETITIVENESS

1. Having secured supply of iron ore by reliable resources

We are able to purchase raw materials for production from Angang Group Mining Company* (鞍鋼集團礦業公司) which boasts advantages of premium quality, stable supply and convenient transportation. As a result, a strong support is provided to the Company to ensure stable production.

Angang Group Mining Company is the only mining enterprise in the PRC which possesses a complete industrial chain integrating exploration, mining, processing, sintering, pelletizing, production of auxiliary materials for iron and steel making, research and design of mining and processing techniques and export of engineering technologies, and ranks first in the PRC in terms of comprehensive strength. This company has measured iron ore resources of 8,800 million tons, representing an absolute advantage resources over the iron and steel enterprise in the PRC. It stands at the first place in the PRC and a leading position in the world in terms of production stripping capacity and ore dressing capacity. With industry leading mining technology in the PRC, industry leading ore dressing technology in the world and an international leading position in terms of major technical indicators of ore dressing, this company has also developed the capacity to export mining engineering technology.

2. Advantages in technology, equipment and research

The Company has been committed to technology transformation for more than a decade, which made its main equipments modern and large-scale. With an established product mix mainly including sheets and plates, the Company has attained domestic advanced level in terms of principal production techniques and technological equipments. Such technological equipments include, among others, sintering, coking, iron-making, steel-making, steel rolling and power equipments.

The Company is among the first-tier players in the metallurgical industry in terms of comprehensive research and development strength, the capacity of integration of development, design and construction as well as the intellectual property indicators such as the number of patents applied and approved and the number of exclusive technologies.

3. Comparative advantage of certain products of the Company

In 2014, leveraging its advantages in independent innovation, the Company accelerated the progress of technological research and development and upgrading of equipment and production techniques as well as the pace in cultivation of new products, leading and exclusive products and strategic products, and thus significantly improved the Company's capacity of independent innovation and the competitiveness of core technology.

(1) Steel plates for automobiles and appliances

The development of steel plates for automobiles focused on the advanced high-strength steel products, including duplex stainless steel, high manganese transformation induced plasticity (TRIP) steel and twinning induced plasticity (TWIP) steel. In particular, the strength grades of duplex stainless steel were DP780, DP800, DP980 and DP1000, high manganese TRIP steel were TRIP600 and TRIP980 while TWIP steel were TWIP980 and TWIP1180. The DP and TRIP series advanced high-strength steel products have been sold over 80,000 tons. CR550/980QP products were adopted in the procurement list of Shanghai General Motors, marking the Company's first batch of supply of the 980MPa grade cold-rolled products.

(2) Steel for pipelines

The Company made impressive achievements in both the rolled and plate steel technology for pipeline steels. It developed the low-cost X80 steel for pipelines, X70Q and X80Q steel for floating LNG pipelines and the X70 plate steel for pipelines to be used in deep sea. The high-grade X90 and X100 pipeline steels were developed to the satisfaction of the technological requirement of pipeline design of PetroChina, which led the X90 to be a technology reserve of the laboratory.

(3) *Electrical steel*

As for the grain-oriented electrical steel, the Company put more efforts in the research and development of the production technology. It developed a number of technologies such as improving the yields of ordinary grain-oriented electrical steel through tempering, low-cost production of grain-oriented electrical steel and production of grain-oriented silicon steel using thin and medium slab in short process. As for the non-oriented electrical steel, the Company increased the research and development efforts in production technology and developed the tempering and annealing technology for high-designation non-oriented electrical steel, enhanced the electromagnetic performance of low-designation non-oriented electrical steel and improved the hot rolling technology for the surface quality of high-silicon non-oriented electrical steel. In addition, the Company carried out the research of production of semi-processed non-oriented electrical steel.

(4) *Steel for oil well pipes*

In the field of steel for oil well pipes, the Company laid focus on the development of two new products, which are J55-grade electric resistance welding (ERW) oil casing pipe with low yield ratio and M65-grade ERW oil casing pipe. Both products have completed formulating the quality plan for industrial trial manufacturing and the product supply technology agreements, and can be supplied in bulk.

(5) *Steel for buildings and bridges*

The Company developed the production technology for the 100mm Q420GJC ultra-thick building structural steel and the S355J2 titanium structural steel and economical structural steel with low yield ratio. As for the steel for bridges, the Q370qE and Q420qE products of the Company with high performance and low yield ratio have been used in the construction of the Yangtze River Bridge of the Shanghai-Nantong Railway, a cable-stayed bridge for both highway and railway purposes with the largest span in the world.

(6) *Steel for nuclear power*

In the field of steel for nuclear power, we mainly developed the ultra-thin SA-738GrB steel for nuclear purpose and the steel for the substrate of third-generation safety injection tank. In particular, the steel for such safety injection tank shell saw the domestic production for the first time, and such new product can be supplied in bulk.

(7) *Steel for vessels*

In the field of steel for vessels, we mainly developed the technologies such as the technology to control the level of Ni in 9Ni steel, high-strength ultra-thick steel for boiler and the 15CrMoR steel for hydrogen-contacting equipment. In particular, the Company achieved production of the ultra-thick grade hydrogen-contacting devices.

(8) *Wire rods*

The Company mainly developed products such as the wire rod for inner wire of elevator traction steel rope, the wire rod for high-strength pre-stressed steel strand, the wire rod for 90-grade ultra-high strength rubber tube steel wire and the wire rod for 70-grade and 80-grade outer wrap wire of cord thread.

4. Strength in corporate culture

We have established a profound corporate culture with “Innovation, Factualism, Hard working and Contribution” at its core, which generalizes, extracts and sublimate the spirits of our people of several generations over the growth of our Company. With rich connotation containment and denotation radiation, our corporate culture demonstrates the Chinese traditional virtues and fine style of work of the Chinese working class. Moreover, it has been endowed with additional rich connotation along with the new historical context to better address the actual corporate development status and the characteristics of the times, and thus developed into a distinctive culture of advantage, innovation, competition, and harmony.

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

Changes in accounting policies were attributable to the implementation of new accounting standards for business enterprises. In early 2014, the Ministry of Finance released “Accounting Standards for Business Enterprises No. 39– Fair Value Measurements” (《企業會計準則第39號 — 公允價值計量》), “Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements (2014 Revision)” (《企業會計準則第30號 — 財務報表列報 (2014年修訂)》), “Accounting Standards for Business Enterprises No. 9 – Employee Compensation (2014 Revision)” (《企業會計準則第9號 — 職工薪酬 (2014年修訂)》), “Accounting Standards for Business Enterprises No. 33– Consolidated Financial Statements (2014 Revision)” (《企業會計準則第33號 — 合併財務報表 (2014年修訂)》), “Accounting Standards for Business Enterprises No. 40– Arrangement for Joint Venture” (《企業會計準則第40號 — 合營安排》), “Accounting Standards for Business Enterprises No.2– Long-term Equity Investments (2014 Revision)” (《企業會計準則第2號 — 長期股權投資 (2014年修訂)》) and “Accounting Standards for Business Enterprises No. 41 – Disclosure of Interests in Other Entities” (《企業會計準則第41號 — 在其他主體中權益的披露》) under the decree numbers of Cai Kuai [2014] No. 6, No. 7, No. 8, No. 10, No. 11, No. 14 and No. 16, respectively, with all enterprises subject to the PRC ASBE required to implement the amendments with effect from 1 July 2014 and the overseas listed enterprises encouraged to implement the same in advance. Meanwhile, the Ministry of Finance also released “Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (2014 Revision)” (《企業會計準則第37號 — 金融工具列報 (2014年修訂)》) (the “Financial Instruments Presentation Standard”) under the decree number of Cai Kuai [2014] No. 23, requiring to report financial instruments in financial report of 2014 and any periods thereafter pursuant to the requirements of the standard.

Pursuant to the resolution passed at the thirty-second meeting of the Sixth Session of the Board held by the Company on 30 March 2015, the Company started the implementation of the aforementioned seven newly released or revised accounting standards for business enterprises except for the Financial Instruments Presentation Standard on 1 July 2014 and will begin to implement the Financial Instruments Presentation Standard in the preparation of the 2014 financial report and make adjustments according to transitional requirements of each standards, resulting in the following impact on the items and amounts of the current and previous financial statements:

Name of standard	Explanation on changes in accounting policies and the impacts on the Company thereof	Amounts affected under underlying items of the financial statements as of 1 January 2014/2013	
		Name of items	Amounts affected Increase +/ Decrease -
“Accounting Standards for Business Enterprises No.2– Long-term Equity Investments (2014 Revision)” (《企業會計準則第2號 — 長期股權投資 (2014年修訂)》)	Prior to the implementation of Accounting Standards for Business Enterprises No.2– Long-term Equity Investments (2014 Revision)”, the Company classified equity investments where there is no joint control or significant influence over investee, no quoted price in active market and the fair value of which cannot be measured reliably into long-term equity investment and measured at cost method. Upon the implementation of “Accounting Standards for Business Enterprises No.2– Long-term Equity Investments (2014 Revision)”, the Company classified equity investments where there is no joint control or significant influence over investee, no quoted price in active market and the fair value of which cannot be measured reliably into available-for-sale financial assets. The Company has applied retroactive adjustment method to accounting for the above changes in accounting policies.	Long-term equity investments	-694
		Available-for-sale financial assets	694

“Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements (2014 Revision)” (《企業會計準則第30號 — 財務報表列報 (2014年修訂)》)	“Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements (2014 Revision)” classifies other comprehensive income into two classes: (1) other comprehensive income which cannot be reclassified to profit or loss in subsequent accounting periods, and (2) other comprehensive income to be reclassified to profit or loss upon satisfactions of specified conditions in subsequent accounting periods, and at the same time standardize the reporting of held-for-sale items. Changes in equity attributable to shareholders resulted from comprehensive income and capital transaction with shareholders shall be reported separately. The financial statements have made reporting and corresponding adjustments to the financial statements of comparable years according to the requirements of the standard.	Capital reserve	19
		Other comprehensive income	-19

CHANGES IN THE SCOPE OF CONSOLIDATION OF THE GROUP DURING THE REPORTING PERIOD

Angang Steel Processing and Distribution (Zhengzhou) Co., Ltd., Angang Guangzhou Automotive Steel Co., Ltd. and Kobelco Angang Auto Steel Co., Ltd. are three subsidiaries newly established through investment during the year, and thus were included in the consolidation scope.

1. Subsidiaries newly included into the scope of consolidation during the year

Unit: RMB million

Name of subsidiaries	Net assets at the end of the year	Net profit for the year
Angang Steel Processing and Distribution (Zhengzhou) Co., Ltd.	122	—
Angang Guangzhou Automotive Steel Co., Ltd.	349	-1
Kobelco Angang Auto Steel Co., Ltd.	695	-5

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICE

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

The Company has adopted the principles and code provisions of the Code on Corporate Governance Practices (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. Save as set out below, the Company has properly complied with the Corporate Governance Code.

- (1) In accordance with the provision A.1.8 of the Corporate Governance Code, “an issuer should arrange appropriate insurance cover in respect of legal action against its directors.”

In 2014, the Company did not make any insurance arrangement in respect of the Directors.

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the China Securities Regulatory Commission, the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, and other regulations, the Company has established a comprehensive corporate governance system and an effective internal control system, which lowered the legal risks from the Directors. Therefore, no insurance arrangement was made in respect of the Directors.

- (2) Pursuant to the provision E.1.2 of the Corporate Governance Code, “the chairman of the board should attend the annual general meeting.”

In 2014, the Chairman of the Board did not attend the annual general meeting of the Company in person due to other business commitment, but he has entrusted the vice Chairman of the Company to attend and preside over the annual general meeting on his behalf.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix 10 to the Hong Kong Listing Rules as its code of conduct regarding its Directors’ securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2014.

AUDIT COMMITTEE

The audit committee and the management of the Company have jointly examined the Company’s accounting policies and have discussed the issues in relation to the auditing, internal control and financial statements of the Company (including reviewing the audited financial statements for the year ended 31 December 2014).

MATERIAL GUARANTEE

During the Reporting Period, there was no material guarantee provided by the Company, nor was there any material guarantee subsisting in the Reporting Period.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2014 will be held on Wednesday, 3 June 2015. A notice to convene the annual general meeting and the annual report of the Company for 2014 will be published and delivered to the H shareholders of the Company as required by the Hong Kong Listing Rules in due course.

CONSOLIDATED BALANCE SHEET

As of 31 December 2014

Prepared by Angang Steel Company Limited

Unit: RMB' million

Item	Note	31 Dec. 2014	31 Dec. 2013
Current assets:			
Cash at banks and on hand		1,712	1,126
Financial assets at fair value through profit or loss			
Notes receivable		8,607	10,623
Accounts receivable	2	1,835	2,134
Prepayments		3,587	3,042
Dividend receivable			
Other receivables		18	18
Inventories		10,865	12,356
Non-current assets due within 1 year			
Other current assets			
Total current assets		26,624	29,299
Non-current assets:			
Available-for-sale financial assets		869	750
Long-term equity investments		3,135	2,434
Investment properties			
Fixed assets		46,122	45,452
Construction in progress		5,933	5,756
Construction material		38	26
Intangible assets		6,234	6,147
Long-term deferred expenses			
Deferred income tax assets		2,336	3,001
Other non-current assets			
Total non-current assets		64,667	63,566
Total assets		91,291	92,865

Item	Note	31 Dec. 2014	31 Dec. 2013
Current liabilities:			
Short-term borrowings		14,672	9,241
Notes payable		356	47
Accounts payable	3	8,289	15,343
Receipt in advance		3,332	4,031
Employee <u>remuneration</u> payable		228	281
Tax payable		76	(550)
Interest payable		203	196
Other payables		1,894	1,944
Non-current liabilities due within 1 year		1,701	1,271
Other current liabilities		6,000	6,000
Total current liabilities		36,751	37,804
Non-current liabilities:			
Long-term borrowings		1,371	3,044
Bonds payable		3,983	3,971
Long-term employee remuneration payable		1	3
Deferred income		969	933
Deferred income tax liabilities		20	20
Other non-current liabilities			
Total non-current liabilities		6,344	7,971
Total liabilities		43,095	45,775
Shareholders' equity:			
Share capital		7,235	7,235
Capital reserve		31,154	31,155
Other comprehensive income		7	(19)
Special reserve		30	21
Surplus reserve		3,580	3,580
Undistributed profits	4	5,787	5,054
Differences from translation of foreign currency			
Subtotal of equity attributable to owners of the parent company		47,793	47,026
Minority interests		403	64
Total shareholders' equity		48,196	47,090
Total liabilities and shareholders' equity		91,291	92,865

CONSOLIDATED INCOME STATEMENT

12 months ended 31 December 2014

Prepared by Angang Steel Company Limited

Unit: RMB' million

Items	Note	2014	2013
1. Operating income		74,046	75,329
Including: Operating income	5	74,046	75,329
2. Operating costs		73,154	75,220
Including: Operating costs	5	65,490	66,929
Business tax and surcharges	6	213	194
Sales expenses		2,218	1,743
Administrative expenses		1,850	3,270
Financial expenses	8	1,272	1,218
Impairment losses on assets		2,111	1,866
Add: Gains from fair value variation (Loss is represented by “()”)			
Investment income (Loss is represented by “()”)		673	555
Including: Income from investment in joint ventures and associates		587	533
3. Operating profit (Loss is represented by “()”)		1,565	664
Add: Non-operating income		161	158
Less: Non-operating expenses		147	94
Including: Losses on non-current assets disposal		137	89
4. Gross profit (Loss is represented by “()”)		1,579	728
Less: Income tax expenses	9	655	(27)
5. Net profit (Loss is represented by “()”)		924	755
Net profit attributable to owners of parent company		928	770
Minority interests		(4)	(15)

Items	Note	2014	2013
6. The net amount after tax of other comprehensive income		26	(34)
(1) The other comprehensive income which cannot be subsequently reclassified into profits or losses			
a. Change in net liabilities or net assets arising from the remeasurement of defined benefit plans			
b. Share of other comprehensive income of investee that cannot be subsequently reclassified into profit or loss under equity method			
(2) The other comprehensive income which can be subsequently classified into profits or losses		26	(34)
a. Shares of the other comprehensive income of investee that can be subsequently reclassified into profit or loss under equity method		(4)	
b. The profits or losses from the change in fair value of available-for-sale financial assets		30	(34)
c. Profit or loss arising from reclassification of held-to-maturity investments into available-for-sale financial assets			
d. The effective portion of profits or losses from cash flows hedges			
e. Exchange differences on translation of financial statements denominated in foreign currencies			
f. Others			
7. Earnings per share			
(1) basic earnings per share (<i>RMB/share</i>)	10	0.128	0.106
(2) diluted earnings per share (<i>RMB/share</i>)	10	0.128	0.106
8. Total comprehensive income		950	721
Total comprehensive income attributable to shareholders of the parent company		954	736
Total comprehensive income attributable to minority shareholders		(4)	(15)

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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 41 specific standards of the Accounting Standards for Business Enterprises (Ministry of Finance Decree No. 33 and Ministry of Finance Decree Revision No. 76) issued and amended by the Ministry of Finance on 15 February 2006 and thereafter, 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 in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Rules on Financial Reporting (Revised in 2014) issued by the China Securities Regulatory Commission.

2. ACCOUNTS RECEIVABLE

(1) Nature of accounts receivable

Items	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	1,353	74		
Other accounts receivable with insignificant single amount subject to individual impairment	483	26	1	100
Total	<u>1,836</u>	<u>100</u>	<u>1</u>	<u>100</u>

Items	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	1,921	90		
Other accounts receivable with insignificant single amount subject to individual impairment	213	10		
Total	<u>2,134</u>	<u>100</u>		

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

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	1,694	92	2,128	100
1 to 2 years	141	8	5	
2 to 3 years				
Over 3 years	1		1	
	<u>1</u>	<u></u>	<u>1</u>	<u></u>
Total	<u><u>1,836</u></u>	<u><u>100</u></u>	<u><u>2,134</u></u>	<u><u>100</u></u>

3. ACCOUNTS PAYABLE

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	8,202	100	15,232	99
1 to 2 years	1		44	
2 to 3 years	43		2	
Over 3 years	43		65	1
	<u>43</u>	<u></u>	<u>65</u>	<u>1</u>
Total	<u><u>8,289</u></u>	<u><u>100</u></u>	<u><u>15,343</u></u>	<u><u>100</u></u>

4. UNDISTRIBUTED PROFITS

Items	This year	Last year
Opening balance	5,054	4,419
Increase of the year	928	770
Including: Net profit transferred this year	928	770
Other adjustment factors		
Decrease of the year	195	135
Including: Extraction of surplus reserve this year		
Extraction of general risk provisions this year		
Distribution of cash dividend this year	195	
Converted capital		
Other decreases		135
Closing balance	<u>5,787</u>	<u>5,054</u>

- Note:* (a) On 4 June 2014, the 2013 annual general meeting of the Company has considered and approved the Profit Distribution Plan for the Year of 2013. On the basis of the total share capital as of 31 December 2013 consisting of 7,234,807,847 shares, cash dividend of RMB0.027 per share shall be distributed, which amounts to the sum of RMB195 million.
- (b) On 30 March 2015, the Board has proposed for the Company to distribute cash dividend of RMB0.045 per share to the shareholders of ordinary shares, which amounts to the sum of RMB326 million. This proposal is subject to approval of the general meeting of the shareholders. The cash dividend proposed after the balance sheet date was not recognised as liabilities at the balance sheet date.

5. OPERATING INCOME AND OPERATING COSTS

Operating income and operating costs

Items	This year	Last year
Operating income from main business	73,809	75,091
Other operating income	237	238
Total	74,046	75,329
Operating cost for main business	65,374	66,766
Other operating cost	116	163
Total	65,490	66,929

6. BUSINESS TAXES AND SURCHARGES

Items	This year	Last year
Resources tax and business tax	5	4
City maintenance and construction tax	121	111
Educational surcharge and local educational surcharge	87	79
Total	213	194

7. DEPRECIATION AND AMORTIZATION

Items	This year	Last year
Depreciation of fixed assets	3,829	4,087
Amortization of intangible assets	155	164
Total	3,984	4,251

8. FINANCIAL EXPENSES

Items	This year	Last year
Interest expense	1,611	1,502
Including:		
Interest on bank and other loans wholly payable within five years	873	1,035
The financial charges during the financial lease period		
Other interest expenditures	738	467
Less: Interest income	12	23
Less: Capitalized interest expense	299	261
Exchange gain or loss	(61)	(25)
Less: Capitalized exchange gain or loss		
Others	33	25
Total	1,272	1,218

9. INCOME TAX EXPENSES

Items	This year	Last year
Current income tax calculated according to the Tax Law and the relevant regulations		6
Changes on deferred income tax expenses	655	(33)
Total	655	(27)

10. BASIC EPS AND DILUTED EPS

Items	This year	Last year
(a) Basic EPS (<i>RMB/share</i>)	0.128	0.106
(b) Diluted EPS (<i>RMB/share</i>)	0.128	0.106

11. SEGMENT REPORTING

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

12. COMMITMENTS

Items	As at 31 Dec. 2014	As at 31Dec. 2013
Investment contracts entered but not performed or performed partially	158	1,402
Construction and renovation contracts entered but not performed or performed partially	<u>5,007</u>	<u>3,022</u>
Total	<u><u>5,165</u></u>	<u><u>4,424</u></u>

13. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	26,624	29,299
Less: current liabilities	<u>36,751</u>	<u>37,804</u>
Net current assets/(liabilities)	<u><u>(10,127)</u></u>	<u><u>(8,505)</u></u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	91,291	92,865
Less: current liabilities	<u>36,751</u>	<u>37,804</u>
Total assets less current liabilities	<u><u>54,540</u></u>	<u><u>55,061</u></u>

By Order of the Board
ANGANG STEEL COMPANY LIMITED*
Ma Lianyong

Executive Director and Secretary to the Board

Anshan City, Liaoning Province, the PRC

30 March 2015

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

Executive Directors:

Yang Hua

Wang Yidong

Ma Lianyong

Independent Non-executive Directors:

Chen Fangzheng

Qu Xuanhui

Liu Zhengdong

Chau Chi Wai, Wilton

* For identification purpose only