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)

2015 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB28,992 million
- Total profit amounted to RMB165 million
- Net profit attributable to shareholders of the Company amounted to RMB155 million
- Basic profit per share amounted to RMB0.021 (January to June in 2014: basic profit per share of RMB0.080)
- 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 its subsidiaries for the six months ended 30 June 2015 together with the comparative figures as stated herein.

* *For identification purpose only*

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 (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 67.29% 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 Angang Holding
"ANSC-TKS"	ANSC-TKS Automobile 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" or "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 ended 30 June 2015
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

I. FINANCIAL INFORMATION

Consolidated Balance Sheet

Unit: RMB' million

Items	*Note*	**30 June 2015**	31 December 2014
Current assets:			
Cash at banks and on hand		**2,190**	1,712
Financial assets at fair value through profit or loss			
Notes receivable		**7,922**	8,607
Accounts receivable	2	**1,788**	1,835
Prepayments		**3,723**	3,587
Dividend receivable		**60**	
Other receivables		**39**	18
Inventories		**10,331**	10,865
Non-current assets due within 1 year			
Other current assets			
Total current assets		**26,053**	26,624
Non-current assets:			
Available-for-sale financial assets		**852**	869
Long-term equity investments		**2,538**	3,135
Investment properties			
Fixed assets		**46,045**	46,122
Construction in progress		**6,784**	5,933
Construction material		**246**	38
Intangible assets		**6,157**	6,234
Long term deferred expenses			
Deferred income tax assets		**2,323**	2,336
Other non-current assets			
Total non-current assets		**64,945**	64,667
Total assets		**90,998**	91,291

Consolidated Balance Sheet *(continued)*

Items	*Note*	**30 June 2015**	31 December 2014
Current liabilities:			
Short-term loans		**15,435**	14,672
Notes payable		**460**	356
Accounts payable	3	**7,785**	8,289
Advances from customers		**2,276**	3,332
Employee benefits payable		**296**	228
Tax and surcharges payable		**(33)**	76
Interest payable		**137**	203
Other payables		**1,818**	1,894
Non-current liabilities due within 1 year		**1,187**	1,701
Other current liabilities		**6,000**	6,000
Total current liabilities		**35,361**	36,751
Non-current liabilities:			
Long-term loans		**2,231**	1,371
Bonds payable		**3,990**	3,983
Long-term employee benefits payable		**1**	1
Deferred income		**959**	969
Deferred income tax liabilities		**23**	20
Other non-current liabilities			
Total non-current liabilities		**7,204**	6,344
Total liabilities		**42,565**	43,095

Consolidated Balance Sheet *(continued)*

Items	*Note*	**30 June 2015**	31 December 2014
Shareholders' equity:			
Share capital		**7,235**	7,235
Capital reserve		**31,519**	31,154
Other comprehensive income		**15**	7
Special reserve		**58**	30
Surplus reserve		**3,580**	3,580
Undistributed profits	4	**5,616**	5,787
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		**48,023**	47,793
Minority interests		**410**	403
Total shareholders' equity		**48,433**	48,196
Total liabilities and shareholders' equity		**90,998**	91,291

Consolidated Income Statement

Unit: RMB' million

Items			*Note*	For the six months ended 30 June **2015**	2014
1.	**Operating income**			**28,992**	38,177
	Including:	Operating income	5	**28,992**	38,177
2.	**Operating costs**			**29,134**	37,808
	Including:	Operating costs	5	**25,402**	34,154
		Business tax and surcharges	6	**148**	75
		Marketing expenses		**1,191**	1,034
		Administrative expenses		**911**	831
		Financial expenses	8	**618**	679
		Impairment losses on assets		**864**	1,035
	Add:	gains/losses from fair value variation (losses are indicated with "–")			
		Investment income (losses are indicated with "–")		**227**	405
	Including:	Income from investment in joint ventures and associates		**170**	320
3.	**Operating profit (losses are indicated with "–")**			**85**	774
	Add:	Non-operating income		**92**	81
	Less:	Non-operating expenses		**12**	37
	Including	Losses on non-current assets disposal		**6**	32
4.	**Profit before income tax (losses are indicated with "–")**			**165**	818
	Less:	Income tax expenses	9	**14**	241

Items	*Note*	**For the six months ended 30 June** **2015**	2014
5. Net profit (losses are indicated with "–")		**151**	577
Net profit attributable to shareholders of parent company		**155**	577
Gains/losses attributable to minority shareholders		**(4)**	
6. The net amount after tax of other comprehensive income		**8**	(4)
(1) The other comprehensive income which can not be reclassified into profits or losses			
a. The changes of the net assets or liabilities of the remeasurement of benefits plan			
b. The shares of the other comprehensive income which can not be reclassified in profits or losses of the invested company in equity method			
(2) The other comprehensive income which can be classified into profits or losses		**8**	(4)
a. The shares of the other comprehensive income which can be reclassified in profits or losses of the invested company in equity method		**(1)**	
b. The profits or losses from the change of the fair value of available-for-sale financial assets		**9**	(4)

Items	*Note*	**For the six months ended 30 June** **2015**	2014
c. The profits or losses of available-for-sale financial assets from the reclassification of held-for-sale investment			
d. The effective portion of profits or losses from cash flows hedges			
e. The differences converted in foreign currency of financial statement			
f. Others			
7. Earnings per share:			
(1) basic earnings per share *(RMB/share)*	10	**0.021**	0.080
(2) diluted earnings per share *(RMB/share)*	10	**0.021**	0.080
8. Total comprehensive income		**159**	573
The other comprehensive income belongs to the owners of the company		**163**	573
The other comprehensive income belongs to the minority		**(4)**	

NOTES

(Expressed in million RMB unless otherwise indicated)

1. BASIS OF PREPARATION

The financial statements of the Group are prepared on the assumption of going concern principle based on the actual transactions and events, and prepared in accordance with the Basic Standard and 41 specific standards of the Accounting Standards for Business Enterprises(Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS") and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Rules on Financial Reporting (2014 revised) issued by the CSRC.

2. ACCOUNTS RECEIVABLE

(1) Types of accounts receivable

	Closing balance			
	Book value		Bad debt provision	
Types	**Balance**	**Percentage** *(%)*	**Balance**	**Percentage** *(%)*
Accounts receivable with significant single amount subject to individual impairment	**1,425**	**80**		
Other accounts receivable with insignificant single amount subject to individual impairment	**364**	**20**	**1**	**100**
Total	**1,789**	**100**	**1**	**100**

Types	Opening 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	1,836	100	1	100

Note: The majority of the clients of the Group were 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 bill issuing date.

(2) Aging of accounts receivable

Items	**Closing balance**		Opening balance	
	Balance	**Percentage** *(%)*	Balance	Percentage *(%)*
Within 1 year	**1,656**	**93**	1,694	92
1 to 2 years	**132**	**7**	141	8
2 to 3 years				
Over 3 years	**1**		1	
Total	**1,789**	**100**	1,836	100

3. ACCOUNTS PAYABLE

Items	Closing balance		Opening balance	
	Balance	**Percentage** *(%)*	Balance	Percentage *(%)*
Within 1 year	**7,726**	**100**	8,202	100
1 to 2 years	**1**		1	
2 to 3 years	**43**		43	
Over 3 years	**15**		43	
Total	**7,785**	**100**	8,289	100

4. UNDISTRIBUTED PROFITS

Items		This period
Opening balance		
Increase of the period		**5,787**
Including:	Net profit transferred this period	**155**
	Other adjustment factors	**155**
Decease of the period		
Including:	Extraction of surplus reserve this period	**326**
	Extraction of general risk provisions this period	
	Distribution of cash dividend this period	
	Conversed capital	**326**
	Other decreases	
Closing balance		**5,616**

Note: On 3 June 2015, the Annual General Meeting of Shareholders of 2014 considered and approved the profit distribution plan for 2014, based on the total share capital 7,234,807,847 shares as at 31 December 2014. The Company declared cash dividend of RMB0.045 per share to the shareholders, representing a total of RMB326 million distributed.

5. OPERATING INCOME AND OPERATING COSTS

Operating income and operating costs

Items	This period	Last period
Operating income from main business	**28,960**	37,961
Other operating income	**32**	216
Total	**28,992**	38,177
Operating cost for main business	**25,374**	34,015
Other operating cost	**28**	139
Total	**25,402**	34,154

6. BUSINESS TAXES AND SURCHARGES

Items	This period	Last period
Resources tax and business tax	**2**	1
City maintenance and construction tax	**85**	43
Educational surcharge and local educational surcharge	**61**	31
Custom duty		
Total	**148**	75

7. DEPRECIATION AND AMORTIZATION

Items	This period	Last period
Depreciation of fixed assets	**1,936**	1,952
Amortization of intangible assets	**79**	77
Total	**2,015**	2,029

8. FINANCIAL EXPENSES

Items	This period	Last period
Interest expense	**770**	800
Less: Interest income	**7**	4
Less: Capitalized interest expense	**115**	129
Exchange gain or loss	**(38)**	4
Less: Capitalized exchange gain or loss		
Others	**8**	8
Total	**618**	679

9. INCOME TAX EXPENSES

Items	This period	Last period
Income tax calculated according to the Tax Law and the relevant regulations	**1**	1
Changes on deferred income tax expenses	**13**	240
Total	**14**	241

10. BASIC EPS AND DILUTED EPS

Items	This period	Last period
(a) Basic EPS *(RMB/share)*	**0.021**	0.080
(b) Diluted EPS*(RMB/share)*	**0.021**	0.080

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 30 June 2015**	As at 31 December 2014
Investment contracts entered but not performed or performed partially	**439**	158
Construction and renovation contracts entered but not performed or performed partially	**7,319**	5,007
Total	**7,758**	5,165

13. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	**26,053**	26,624
Less: current liabilities	**35,361**	36,751
Net current assets/(liabilities)	**(9,308)**	(10,127)

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	**90,998**	91,291
Less: current liabilities	**35,361**	36,751
Total assets less current liabilities	**55,637**	54,540

II. REPORT OF THE BOARD OF DIRECTORS

(I) Summary

In the first half of 2015, amid the continuous slowdown of domestic growth, there was still an aggravated mismatch between the supply and demand in the iron and steel industry with significant decrease in the market price of steel products. Iron and steel enterprises were facing significant operating pressure. In face of the challenging market conditions, the Company optimized its production structure, accelerated the development of new products, put efforts into market expansion, and continuously strived for cost reduction and efficiency enhancement to achieve actual profitability of the Company under the adverse circumstances.

In the first half of the year, the Company achieved net profit attributable to the shareholders of the Company of RMB155 million, representing a decrease of 73.14% as compared with the corresponding period of the previous year. Basic profit per share was RMB0.021, representing a decrease of 73.75% as compared with the corresponding period of the previous year.

(II) Analysis of principal businesses

1. *Overview*

During the Reporting Period, the Group achieved an operating revenue of RMB28,992 million, representing a decrease of 24.06% as compared with the corresponding period of the previous year. The operating cost was RMB25,402 million, representing a decrease of 25.63% as compared with the corresponding period of the previous year. The Group also achieved an operating profit of RMB85 million and total profit of RMB165 million. Net profit of RMB151 million and net profit attributable to the shareholders of the Company of RMB155 million, representing a decrease of 89.02%, 79.83%, 73.83% and 73.14% 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	**28,992**	38,177	-24.06	
Operating costs	**25,402**	34,154	-25.63	
Marketing expenses	**1,191**	1,034	15.18	
Administrative expenses	**911**	831	9.63	
Financial expenses	**618**	679	-8.98	
Income tax expenses	**14**	241	-94.19	Mainly attributable to (i) the decrease in the profit of the Company for the period as compared with the corresponding period of the previous year; and (ii) the analysis and adjustment of deferred income tax by the Company based on its taxable income.
Investment income	**227**	405	-43.95	Mainly attributable to the decrease in the profit of joint ventures of the Company for the period.
Net cash flow from operating activities	**1,691**	1,385	22.09	
Net cash flow from investing activities	**-1,549**	-1,378	-12.41	

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/ decrease *(%)*	Reasons for the changes
Net cash flows from financing activities	**339**	81	318.52	Mainly attributable to the increase in the cash received from borrowings.
Net increase of cash and cash equivalents	**478**	88	443.18	The amount of net cash flows increased by RMB390 million as compared with the corresponding period of the previous year, which was mainly attributable to (i) the increase in net cash inflow from operating activities of RMB306 million as compared with the corresponding period of the previous year; (ii) the increase in net cash outflow from investing activities of RMB171 million as compared with the corresponding period of the previous year; (iii) the increase in net cash inflows from financing activities of RMB258 million as compared with the corresponding period of the previous year; and (iv) impact from changes in exchange rates, resulting in the loss of RMB3 million in cash.

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) Optimizing production organization to achieve stable operation

During the Reporting Period, the Group produced 10,950,000 tonnes of iron, 10,750,000 tonnes of steel and 9,780,000 tonnes of steel products, representing a decrease of 0.35%, 0.91% and 3.75%, respectively, over the corresponding period of the previous year. Sale of steel products amounted to 9,370,000 tonnes, representing a decrease of 6.47% as compared with the corresponding period of the previous year. The Group also achieved a 95.81% sale-to-production ratio for steel products.

As the steel product market remained weak in the first half of the year, the Company carried out annual repair works and transformation for key production lines in due course, and "prioritized efficiency and focused on quality upgrade" to ensure a high capacity of the highly-efficient production lines as well as insisted on achieving a synchronized pace between productivity and annual repairs of equipment, which effectively reduced production cost. The Company spared no efforts in maximizing profit.

(2) Capturing the opportunities to conduct the research and development on technology to improve profitability of products

In order to improve the quality and profitability of products, the Company has further strengthened its research and development on technology. The development of new products, leading exclusive products and strategic products were constantly accelerated.

There were the development of SA-533Ty.B Cl.1 steel plates used for level 1 nuclear equipment, which led to the success in winning the bid of the contract for the generating units of Xudabao (徐大堡); the newly researched and developed 20HR-B steel for nuclear power was successfully supplied to CGN Power Co., Ltd.*; the development of E-grade steel plates for high-performing marine engineering was approved after inspection and verification by DNV; new product of hot-rolling corten steel 09CrCuSb was successfully developed; steel produced by 2150 hot-rolling production lines for brake pads have satisfied the special needs in the Europe; Tieling-Dalian railway L450M pipeline steel was actively developed and has ensured delivery in accordance with the schedule; steel produced by the Company for wind power purposes was adopted for Pakistan Dawood Wind Power Project, an overseas construction project under "One Belt and One Road" policy of the country; the trial line of the new island circulatory tram in Haizhu District, Guangzhou, the first tram line in Guangzhou, was officially put into operation, and the tracks of the entire railway was supplied by the Company; the full length heat-treated steel for railway has successfully completed trial production and began production in batches; the 60N new-model and high-speed railway steel carrying velocity of 250km/h was successfully developed; the AG110S non-API oil well pipes resistant against H2S corrosion was successfully developed; the trial production of AG80H-9Cr fire-driven well pipes for heated oil recovery was successfully carried out; the automotive parts and cold forging steel products manufactured by the Company recorded a stable application and other achievements. Three projects, namely the "industrial production technology of anti-corrosion steel sheets used in cargo oil tanks of oil tankers (油船貨油艙用耐腐蝕鋼板工業生產技術)", "anti-corrosion and strengthening technology of low-alloy steel under the environment of high sulfur and high acid oil (高硫高酸油氣環境下低合金鋼的耐腐蝕及强韌化技術)" and "production technology of pipeline steels with high-intensity and anti-corrosion for collection and transmission of oil and natural gas (高強度耐腐蝕石油天然氣集輸和輸送用管綫鋼生產技術)" were inspected and accepted by the steel associations.

(3) Vigorously expanding the market with improvement in sales and marketing

In order to deal with adverse market situations, main leaders of the Company visited several key strategic users including China General Nuclear Power Corporation* (中國廣核集團有限公司), China International Marine Containers (Group) Ltd.* (中國國際海運集裝箱(集團)股份有限公司), China CNR Corporation Limited* (中國北車股份有限公司), China State Shipbuilding Corporation* (中國船舶工業集團公司), China North Industries Group Corporation* (中國兵器工業集團), China Railway Construction Corporation Limited* (中國鐵建股份有限公司) and China CSR Corporation Limited* (中國南車股份有限公司) to strengthen strategic cooperation. During the first half of the year, the Company's percentage of direct sales volume to users reached 73%.

The Company continuously made greater efforts in quality survey and optimized the mode of quality survey in order to achieve efficiency while increasing market shares for the Company.

The Company strengthened its market analysis and established marketing policies which were adapted to the market. Through the collection of industrial and market information as well as information of competitors at the upstream and downstream in the industry via various channels and at different dimensions, the Company had strengthened its knowledge and judgment on the market trend.

The more frequent interaction between domestic and foreign trades resulted in the increase of exports. Since 2015, the Company has been focusing on new changes in the international market, which strengthened the coordination and interaction between domestic and foreign trades. During the first half of the year, the Company recorded a cumulative settlement from exports sales of 1,370,000 tonnes of steel products, representing an increase of 290,000 tonnes as compared to the corresponding period of last year.

(4) Enhancing energy management and control and improving capability for energy saving and cost reduction

The Company adequately made use of gas as a substitute of coal-fired boiler to satisfy production needs, which reduced the consumption of steam coal; effectively utilized gas to increase the power generation of CCPP units, enhanced the recycling of residual heat and energy, and increased power generation of residual heat and TRT. In the first half of the year, the ratio of self-generated power by the Company reached 65.3%, representing a year-on-year increase of 8.3 percentage points, among which, the ratio of power generated by residual heat and energy reached 51.6%, representing a year-on-year increase of 4.6 percentage points.

The Company continuously implemented measures on "three reductions" and "three adjustments" of energy to reduce power consumption. By adopting the measures such as "temperature reduction, pressure reduction and volume reduction", the temperature of energy-related products and the energy consumption were reduced, leading to the decrease in energy loss. In addition, the Company also adopted several means such as quality adjustment, peak load adjustment as well as overall control to optimize the matching and reasonable use of energy medium level, dynamically adjusting the operation models for energy systems, thereby reducing operating costs as well as managing and controlling waste of energy to reduce losses. In the first half of the year, fresh water consumption per tonne in steel production of the Company recorded a year-on-year decrease of 6.1%, making a historical breakthrough in the indicator. Through optimizing the operation plan, it is expected that over RMB21 million of water resources would be saved for the year.

The Company performed comprehensive energy-related operations and expanded sales channels for energy products to increase sales and generation of revenue.

(5) Expanding financing channels and reducing financial costs

The Company consolidated and broadened financing channels to secure the source of capital. The soundness of financial sources was enhanced by expanding the scope of cooperation with financial institutions. Financing cost was reduced while financial security of the Company was safeguarded by means of promotion of documentary letter of credit payment business, low-cost financing business of import and export documentary bill, newly-added issuance size of ultra short-term financing notes and revolving issuance of ultra short-term financing notes, etc.

The Company seized the opportunity to adjust borrowings structure to reduce capital cost. The Company discounted notes to repay bank borrowings for reduction of financing cost in due course. In the meantime, in light of the twice successive downward adjustments of benchmark interest rates by the central bank for loans, the Company actively communicated with banks in order to arrange for refinancing of loans in advance, thereby lowering the financing costs of the Company. During the first half of the year, financing costs of the Company has decreased by RMB61 million as compared with the corresponding period of the previous year.

(6) Strengthening the capabilities of environmental management and control as well as promoting corporate sustainable and healthy development

During the first half of the year, the Company focused on "implementing ecological development and building a beautiful Angang (推進生態文明、建設美麗鞍鋼)" as the core principle and pursued prevention and control of environmental risks. As such, the Company has set up environmental protection management system and strengthened environmental management which produced manifest results in environmental protection works. The implementation of environmental management was substantially improved, while the appearance of the plants was noticeably improved. The ecological park in the production area has been preliminarily constructed.

The environment and air quality were continuously improved. Environmental and air indicators, namely SO_2, NO_2 and PM10 all met the national standards and outperformed those in the same period of the previous year. In comparison with the corresponding period of the previous year, the emissions of SO_2 per tonne of steel, fly ash, COD and waste water were reduced by 38.7%, 23.1%, 81% and 62.4%, respectively.

The Company implemented the Blue Sky Construction Project, for which the energy management and control denitrification project has currently commenced full operation, whereas projects such as the one-off dust removal for steel making project and raw material ground spray and dust control project have been progressing in an orderly manner.

4. Liquidity and Financial Resources

As of 30 June 2015, the Group had long-term borrowings of RMB2,231 million (exclusive of loans due within one year) with interest rates ranging from 4.2892% to 6.4% per annum. Under the terms of three to 25 years, the loans will expire during the period from 2016 to 2022. The loans are mainly used for replenishing working capital. The Group's long-term loans due within one year amounted to RMB1,187 million.

In 2015, 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 of 30 June 2015, the Group had a capital commitment of RMB7,758 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.

As at the end of the Reporting Period, the foreign currency borrowings of the Group amounted to USD400 million. Therefore, the Group is exposed to certain degree of the risk of exchange rate fluctuations.

6. Gearing Ratio

As of 30 June 2015, the Group's ratio of equity to liability was 1.14 times and the figure was 1.12 times as at 31 December 2014.

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

8. ***Contingent Liabilities***

As of 30 June 2015, 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	28,960	25,374	12.38	-23.71	-25.40	1.99
By products						
Hot-rolled sheets products	9,305	8,729	6.19	-26.24	-27.21	1.25
Cold-rolled sheets products	10,040	8,332	17.01	-21.49	-23.21	1.86
Medium-thick plates	4,245	3,619	14.75	-20.55	-23.57	3.37

Notes:

The decrease in operating income from different series of steel products of the Company as compared with the corresponding period of the previous year was primarily due to (i) the decrease in product prices; and (ii) the decrease in sales volume of products. The decrease in operating cost was mainly attributed to (i) the decrease in market price of crude fuel and the Company's optimization in procurement method, strived to seize opportunities for procurement that resulted in the significant decrease in purchase cost; (ii) the various measures contributing to the increase in efficiency by promoting internal development of the Company, in addition to other means for cost reduction, optimization in coal and mine structure and blending, processing cost and expenses reduction; and (iii) the decrease in sales volume of products.

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	10,094	-31.38
North China	2,102	0.67
East China	7,281	-25.42
South China	4,996	-24.51
Central south China	338	-19.14
Northwest China	116	-17.14
Southwest China	37	-48.61
Export sales	3,996	-3.78
Total	28,960	-23.71

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

1. Promote the management of cost reduction and efficiency enhancement to reduce operating cost continuously.

2. Track the key national construction projects and enlarge market share of products.

3. Continuously implement the development of new products and strive to improve the profitability of products.

4. Advance energy saving projects and increase growth points which derive revenue from energy savings.

5. Strengthen construction of environmental protection projects and continuously improve the quality of the environment.

6. Optimize risk management system and improve the standards of corporate governance.

(V) ANALYSIS ON THE CORE COMPETITIVENESS

The core competitiveness of the Company had no change in the first half of 2015.

(VI) ANALYSIS OF INVESTMENTS

1. *External equity investments*

(1) External Investments

External Investments

Investments in the Reporting Period *(RMB' million)*	**Investments in the corresponding period of the previous year** *(RMB' million)*	**Change** *(%)*
65	845	-92.31

Targets of investments

Name of Companies	**Principal Activities**	**The Company's Percentage of Interest in Investees** *(%)*
Guangzhou Angang Steel Processing Co., Ltd.* (廣州鞍鋼鋼材加工有限公司)	Steel pressing and processing	75
Guangzhou Guangqi Baoshang Steel Processing Co., Ltd.* (廣州廣汽寶商鋼材加工有限公司)	Steel pressing and processing	30
Changsha Baogang Steel Processing and Delivery Co., Ltd.* (長沙寶鋼鋼材加工配送有限公司)	Steel pressing and processing	14

(2) *Equity in Financial Enterprises held by the Company*

Company name	Company type	Initial investment cost	Number of shares held at the beginning of the Reporting Period	Shareholding ratio at the beginning of the Reporting Period	Number of shares held at the end of the Reporting Period	Shareholding ratio at the end of the Reporting Period	Investment cost at the end of the Reporting Period	Book value at the end of the Reporting Period	Loss or gain during the Reporting Period	Accounting item	Source of shares
		(RMB' million)	*(million shares)*	*(%)*	*(million shares)*	*(%)*	*(RMB' million)*	*(RMB' million)*	*(RMB' million)*		
Angang Financial Company	–	315	–	20	–	20	842	1,189	60	Long-term equity investments	Subscription to the additional issuance

(3) *Securities Investment*

Stock type	Stock code	Abbreviation	Initial investment cost	Number of shares held at the beginning of the Reporting Period	Shareholding ratio at the beginning of the Reporting Period	Number of shares held at the end of the Reporting Period	Shareholding ratio at the end of the Reporting Period	Book value at the end of the Reporting Period	Loss or gain during the Reporting Period	Accounting item	Source of shares
			(RMB' million)	*(million shares)*	*(%)*	*(million shares)*	*(%)*	*(RMB' million)*	*(RMB' million)*		
Shares	600961	Zhuzhou Group (株冶集團)	81	10	1.9	5	0.88	65	51	Available for sale financial assets	Non-public offering

2. ***Entrusted wealth management, derivatives investments and entrusted loans***

(1) *Entrusted financial management*

☐ Applicable ✓ Not applicable

(2) Derivatives investments

Unit: RMB' million

Name of the derivatives investment operator	Relationship with the Group	Related party transaction or not	Type of derivatives investment	Initial investment amount of derivative investment	Date of commencement	Date of termination	Investments at the beginning of the period	Provision for impairment (if any)	Investments at the end of the period	Proportion of investments at the end of the period to net assets of the Company at the end of the Reporting Period	Actual profit or loss during the Reporting Period
Angang Steel	None	No	Future investment	50	13 February 2015	–	0	Nil	17.50	0.04%	0.42
Total				50	–	–	0		17.50	0.04%	0.42

Source of funds for derivative investments	Self-owned funds
Litigation case (if applicable)	None
Date of the announcement disclosing the approval of derivatives investment by the Board	On 13 February 2015, the resolution in relation to the Company's carrying out business of hedging with commodity futures in 2015 was approved at the 30th meeting of the sixth session of the Board.
Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting	None
Risk analysis on positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk, etc.)	(1) Market risk exists when the position held by the Company is related to the steel products industry, which is highly relevant to spot commodity operated by the Company. Although the Company makes regular analysis and estimation on the market, the judgment on the market may be deviated, resulting in potential risk. However, the risk is controllable after futures hedging with spot commodities. (2) As the category of position held has a sufficient liquidity, there is no liquidity risk. (3) The Future Exchange provides credit guarantee for the category of position held, thus the credit risk is minimal. (4) The Company carries out such business in strict compliance with the relevant requirements of hedging and total holding position and term are in line with the Company's approval. (5) The Company has performed valuation to relevant legal risks. Business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and thus, risks can be controlled.

Changes in market price or product fair value of derivatives invested during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value	With reference to the settlement price of future contracts of iron ore 1509 and coking coal 1509 in Dalian Commodity Exchange, on 29 April, the settlement price of future contracts of coking coal 1509 amounted to RMB670/tonne, while the settlement price of future contracts of iron ore 1509 amounted to RMB442.5/tonne; as of 30 June, the settlement price of future contracts of coking coal 1509 amounted to RMB673/tonne, representing an increase of RMB3/tonne as compared with the beginning of the period, while the settlement price of future contracts of iron ore 1509 amounted to RMB420.5/tonne, representing a decrease of RMB2/tonne as compared with the beginning of the period.
Explanations of any significant changes in the Company's accounting policies and specific accounting principles on derivatives adopted during the Reporting Period as compared with those of last reporting period	N/A
Specific opinions of independent Directors on the derivatives investment and risk control of the Company	(1) The Company utilized the self-owned capital for the development of futures hedging business under its guarantee of the normal production and operation, and performed related approval procedures in compliance with relevant requirements of the relevant laws, regulations and the Articles and Association, which was beneficial to the reduction of operating risks of the Company, without prejudice to the Company and shareholders as a whole. (2) The Company established Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and explicitly confirmed internal control procedures such as the operation procedures of business, approval process and risks prevention and control, achieving a guarantee for the Company to control future risks. (3) The Company confirmed that the maximum amount and the types for trading of the annual hedging guarantees were reasonable and in compliance with the actual situation of production and operation of the Company, and thus, in favour of the Company's reasonable control over trading risks.

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 galvanized steel products and alloyed steel plate and strip products, sale of self-produced products and provision of after-sale services	USD132 million	2,054	1,619	2,558	232	196
Angang Financial Company	Company with limited liability	Finance	Deposit, lending and financing	2,000	20,843	5,973	614	409	308

5. *Material projects of non-financing investment*

Not applicable.

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

On 3 June 2015, the 2014 annual general meeting of the Company was held in Anshan which considered and approved the profit distribution proposal for the year of 2014. Based on the total share capital of 7,234,807,847 shares, the profit distribution proposal for the year of 2014 was cash dividend of RMB0.45 for every 10 shares. On 30 June 2015, 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 calendar week immediately prior to the general meeting, i.e. HK$100 to RMB78.936. The distribution of cash dividend by the Company to H shareholders amounted to HK$62 million. On 30 June 2015, the Company distributed in aggregate of RMB277 million cash dividend to the domestic holders of transferable A shares and holders of state-owned shares. The Company distributed a total of RMB326 million of cash dividend for the year of 2014.

(VIII) Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2015.

(IX) Employees

As of 30 June 2015, the Company had 38,477 employees, amongst whom 30,668 were production personnel, 375 were sales personnel, 4,852 were technicians, 301 were accounting personnel and 1,179 were administration personnel. Among the employees of the Company, 9,113 had bachelor's degree or higher, representing 23.68% of the total number of employees; 9,911 employees held diploma, representing 25.76% of the total number of employees and 17,928 employees held the certificates of secondary education, representing 46.59% of the total number of employees.

In the first half of 2015, the Company has arranged for 36,437 employees to attend various training courses and among them, 347 senior management personnel attended rotational training classes for leaders under the mission of the Fourth Plenary Session of the Eighteenth National People's Congress of the Communist Party; 7,351 employees attended training classes for strategic leadership enhancement; 233 professional technicians attended youth cadres training classes and trainings for specific technology in colleges; 654 employees with excellent operating skills attended technological projects, advanced operating methods and innovation trainings; 11,110 employees attended training for job-related knowledge; and 16,742 employees attended training for operating skills.

As a result of a series of trainings, extensive talent and intellectual support were provided to the Company for its realization of reform and innovation as well as upgrade through transformation. The overall quality of employees had been substantially improved and corporate competitiveness was comprehensively enhanced.

The Company has adopted position-based incentive packages and risk-based annual remuneration packages for senior management personnel, 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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed 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 Board has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Hong Kong Listing Rules.

The Audit Committee has discussed with the Company's management and reviewed the unaudited consolidated financial information of the Group for the six months ended 30 June 2015.

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 the Hong Kong Stock Exchange and Shenzhen Stock Exchange, the Company is committed to improving its corporate governance in accordance with international corporate governance standards. The Board and the management understand that they are responsible for establishing good corporate governance practices and procedures and the strict implementation of such practices and procedures, in order to protect the interests of the shareholders and to 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. Save as set out below, the Company has properly complied with the Corporate Governance Code:

(1) In accordance with provision A.1.8 in Appendix 14 to the Hong Kong Listing Rules, "an issuer should arrange appropriate insurance cover in respect of legal action against its directors".

The Company did not arrange any insurance cover for its directors in the first half of 2015.

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, and other regulations, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system, and endeavoured to reduce the legal risks for Directors. Therefore, no insurance arrangement was made in respect of the Directors.

(2) As required by provision E.1.2 in Appendix 14 to the Hong Kong Listing Rules, "the chairman of the board should attend the annual general meeting."

The acting chairman of the Company did not attend the annual general meeting of the Company due to other business engagements but had authorized Mr. Wang Yidong, a Director and general manager of the Company, to attend and preside over the annual general meeting.

(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) Transactions in Assets

1. During the Reporting Period, the Company did not carry out any major assets acquisition.

2. Disposal of assets

Counterparty	The disposed assets	Date of disposal	Transaction Price (RMB0'000)	The net profits contributed by the assets to the Company from the beginning of the Reporting Period to the date of disposal (RMB0'000)	Impact of the disposal on the Company	Percentage of the net profit generated by the assets disposal in the total net profit of the Company (%)	Pricing principle for the asset disposal	Whether it is a connected transaction	Connected relationship with the counterparty (applicable to the connected transactions)	Whether the title to the assets has been transferred in full	Whether the liabilities and debts involved have been transferred in full
Pangang Group Xichang Steel & Vanadium Company Limited* (攀鋼集團西昌鋼釩有限公司)	Transfer 50% equity interest of Angang Chongqing High-strength Automobile Steel Co., Ltd.*(鞍鋼重慶高強汽車鋼有限公司) held by the Company to Pangang Group Xichang Steel & Vanadium Company Limited*	27 April 2015	5,156.4	0	An increase in the Company's profit amounting to RMB1.5644 million. There was no material impact on the Company's overall operating results and financial circumstances.	1	Price determined in accordance with the appraised value	Yes	Controlled indirectly by the controlling shareholder of the Company	Yes	N/A

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 the connected transaction: Money payment

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB' million)*	As a percentage of the amount of similar transactions *(%)*
Procurement of principal raw materials from the related party	Iron concentrate	Not higher than the average import price reported to the PRC customs in the second month preceding the month of the transaction (T–2), plus the railway transportation cost from Bayuquan Port to the Company, and adjusted based on the average weighted grade of the iron concentrate imported by the Company, in the second month preceding the month of the transaction (T–2). For every one percentage point increase or decrease in the grade of iron concentrate, the price shall be increased or decreased by RMB10/ tonne. A discount equal to 5% of the average import price reported to the PRC customs in the second month preceding the month of the transaction (T–2) months shall apply on the price determined pursuant to the formula set out above. (T stands for the current month)	RMB471/ tonne	1,958	54.20
	Pellet	Market price	RMB670/ tonne	1,867	100.00
	Sinter ore	The price of iron concentrate plus processing cost in the preceding two months (T–2), the processing cost of which should not be higher than that of similar products produced by the Company.	RMB536/ tonne	843	100.00
	Karara magnetite	Per unit price = reference price + port freight differential cost In particular, reference price means that after loading in the place of loading in the corresponding month, the average value of medium price (measured by the amount of cents of USD per dry metric tonne) of Platts 65% (applicable to standard products) or 62% (applicable to low grade products) CFR price for the northern part of China (Qingdao Port) announced daily by SBB Steel Markets Daily (《SBB鋼鐵市場日報》) as divided by 65 (applicable to standard products) or 62 (applicable to low grade products). Port freight differential cost: It means the difference of transportation cost of shipping in dry metric tonne for products. The difference of transportation cost of shipping in dry metric tonne from Qingdao Port to Bayuquan, Liaoning Province is divided by 65 (applicable to standard products) or 62 (applicable to low grade products).	RMB439/ tonne	285	100.00
	Scrap steel	Market price	–	133	99.91
	Billets		–	97	99.56
	Alloy and nonferrous metal		–	35	2.52
	Sub–total	–	–	5,218	
Procurement of products from the related party	Steel products		RMB2,819 / tonne	11	100.00
Procurement of energy and power from the related party	Electricity	State price	RMB0.44/ Kwh	919	40.14
	Water	State price	RMB2.10/ tonne	21	25.83
	Stream	Cost of production plus gross profit margin of 5%	RMB16/GJ	1	100.00
	Sub–total	–	–	941	–

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB' million)*	As a percentage of the amount of similar transactions *(%)*
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	RMB56/ tonne	80	71.03
	Lime powder		RMB402 / tonne	338	90.46
	Refractory materials		–	256	43.52
	Other ancillary materials		–	112	10.40
	Spare parts		–	420	48.03
	Sub–total	–	–	1,206	–
Purchase of support services from the related party	Railway transportation service	State price	–	262	52.66
	Road transportation service	Market price	–	277	86.67
	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)	–	43	100.00
	Repair and maintenance of equipment and service	Market price	–	162	45.91
	Design and engineering services		–	869	36.45
	Educational facilities, education for occupational skills, on–the–job training and translation	Market price	–	–	–
	Newspaper and other publications	State price	–	0.2	42.98
	Telecommunication business and services and information system	State price or depreciation plus maintenance costs	–	9	58.75
	Production assistance and maintenance	Expenses of labour, materials and management as paid based on market prices	–	420	40.42
	Welfare assistance and maintenance		–	116	87.47
	Company vehicle services	Market price	–	0.6	91.35
	Environmental protection and security inspection services	State price	–	1	92.85
	Business reception and meeting expenses	Market price	–	1	56.18
	Supply of heating fee	State price	–	–	–
	Greening services	Expenses of labour, materials and management as paid based on market prices	–	9	100.00
	Sub–total	–	–	2,170	44.93

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB' million)*	As a percentage of the amount of similar transactions *(%)*
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.	RMB2,323 / tonne	937	3.47
	Molten iron		RMB1,626/ tonne	21	100.00
	Billets		RMB2,185/ tonne	22	40.88
	Coke		–	8	100.00
	Chemical by–products		–	71	9.23
	Sub–total	–	–	1,059	3.81
Sale of scrap steel and abandoned material to the related party	Scrap steel	Market price	–	109	85.88
	Abandoned material		–	8	53.07
	Obsolete assets or idle assets	Market price or appraised price	–	–	–
	Sub–total	–	–	117	82.58
Sale of comprehensive services to the related party	Fresh water	State price	RMB3.13/ tonne	24	97.88
	Clean recycled water	Production cost plus a gross profit margin of 5%	RMB0.73/ tonne	10	100.00
	Soft water		RMB4.90/ tonne	0.2	100.00
	Gas		RMB46.11/ GJ	252	87.73
	Blast furnace gas		RMB4.00/GJ	30	100.00
	Steam		RMB47.51/ GJ	14	99.74
	Nitrogen		RMB223.32/ km^3	1	35.37
	Oxygen		RMB382.75/ km^3	2	34.18
	Argon		RMB563.03/ km^3	0.7	22.74
	Compressed air		RMB106.10 / km^3	0.4	100.00
	Used hot water		RMB17.37/ GJ	24	90.83
	Product testing service	Market price	–	1.7	75.13
	Transportation service		–	9	93.10
	Sub–total	–	–	369	47.88
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: Indirectly controlled by the same controlling shareholder of the Company

Settlement method of the connected transaction: Money payment

Type	Details	Pricing principle	Price	Transaction amount *(RMB' million)*	As a percentage of similar transaction amount *(%)*
Financial services provided to the Company by the related party	Interest on deposits	State price	–	5	67.02
	Maximum daily balance of deposit (including accrued interests)	–	–	1,488	–
	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	–	32	4.03

C. Related Party: Pangang Vanadium & Titanium Group

Connected relationship: Indirectly controlled by the same controlling shareholder of the Company

Settlement method of the 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).	RMB473/ tonne	725	20.08
	Alloy	Market price	–	42	2.98
	Total		–	767	15.32
Reasons for the connected transactions:	Anqian Mining, a subsidiary of Pangang Vanadium & Titanium, has supplied iron concentrate for the Company for many 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 (RMB'000)	Appraised value of transferred assets (RMB'000)	Fair market value (RMB'000)	Transfer price (RMB'000)	Settlement	Loss or profit (RMB'000)
Pangang Group Xichang Steel & Vanadium Company Limited* (攀鋼集團西昌鋼釩有限公司)	Under indirect control of the same controlling shareholder of the Company	Disposal	Transfer of 50% equity interests in Angang Chongqing High-strength Automobile Steel Co., Ltd.* (鞍鋼重慶高強汽車鋼有限公司) held by the Company to Pangang Group Xichang Steel & Vanadium Company Limited*	Determined based on the appraised value	5,000	5,156.44	5,156.44	5,156.44	Money payment	156.44
Reasons for the substantial difference between the transfer price and the book value or the appraised value (if any)				None						
Impact on the operating result and the financial condition of the Company				An increase of RMB1,564,400 in the profit of the Company and no material impact on the overall operating results and financial condition of the Company.						

3. *Connected party credit and debt transaction*

During the Reporting Period, the Company was not involved in any connected party credit and debt transaction for non-operating purpose.

As of 30 June 2015, the bank borrowings of RMB101 million and RMB5,995 million of the Group were guaranteed by Angang Holding and Angang Group Company, respectively.

(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 Putian Company and 45% equity interests of Tiantie Company, 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.

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 requirement 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.

(VIII) Subsequent Event

For foreign currency borrowings, the Group's U.S. dollars borrowings amounted to USD400 million. Due to the adjustment to the pricing mechanism of the median price by the central bank, there was a drastic depreciation in RMB, and the exchange rate of U.S. dollars to RMB changed from 6.1136 (the exchange rate on 30 June 2015) to 6.3986 (the exchange rate on 28 August 2015). From 30 June 2015 up to the date of this announcement, it is expected that the Group will record a currency exchange loss of RMB114 million.

By Order of the Board
ANGANG STEEL COMPANY LIMITED*
Yao Lin
Executive Director and Chairman of the Board

Anshan City, Liaoning Province, the PRC
28 August 2015

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

Executive Directors:	*Independent Non-executive Directors:*
Yao Lin	Chen Fangzheng
Wang Yidong	Qu Xuanhui
Zhang Lifen	Liu Zhengdong
Zhang Jingfan	Chau Chi Wai, Wilton