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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)

2015 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB52,759 million
- Total profit amounted to RMB-3,763 million
- Profit for the year attributable to shareholders of the Company amounted to RMB-4,593 million
- Basic losses per share amounted to RMB0.635 (2014: basic earnings per share amounted to RMB0.128)
- The financial information contained in this announcement is prepared in accordance with the Accounting Standards for Business Enterprises in the PRC

* *For identification purpose only*

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

"Board"	the board of Directors of the Company
"Company"	Angang Steel Company Limited* (鞍鋼股份有限公司)
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)

PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Unit: RMB million

Items	**2015**	2014	Changes over the preceding year *(%)*	2013
Operating income	**52,759**	74,046	-28.75	75,329
Operating profit	**-3,873**	1,565	-347.48	664
Total profit	**-3,763**	1,579	-338.32	728
Net profit attributable to shareholders of the Company	**-4,593**	928	-594.94	770
Net profit attributable to shareholders of the Company after extraordinary items	**-4,675**	917	-609.81	695
Net cash flow from operating activities	**5,137**	2,137	140.38	10,563
Basic earnings per share *(RMB/share)*	**-0.635**	0.128	-596.09	0.106
Diluted earnings per share *(RMB/share)*	**-0.635**	0.128	-596.09	0.106
Weighted average return on net assets	**-10.06**	1.96	Decreased by 12.02 percentage points	1.64

Items	**At the end of 2015**	At the end of 2014	Changes over the preceding year *(%)*	At the end of 2013
Total assets	**88,596**	91,291	-2.95	92,865
Total liabilities	**44,915**	43,095	4.22	45,775
Owner's equity attributable to shareholders of the Company	**43,274**	47,793	-9.46	47,026
Net assets per share attributable to shareholders of the Company *(RMB/share)*	**5.98**	6.61	-9.53	6.50
Assets-liability ratio *(%)*	**50.70**	47.21	Increased by 3.49 percentage points	49.29
Total share capital	**7,235**	7,235	–	7,235

MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB million

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating income	14,961	14,031	12,571	11,196
Net profit attributable to shareholders of the Company	19	136	-1,043	-3,705
Net profit attributable to shareholders of the Company after extraordinary items	10	85	-1,062	-3,708
Net cash flow from operating activities	933	758	3,422	24

ITEMS OF NON-RECURRING GAINS AND LOSSES AND EFFECT ON PROFIT:

Unit: RMB million

Items of Non-Recurring Gains and Losses	**2015**	2014	2013
1. Gains/losses from disposal of non-current assets	**-17**	-81	-9
2. Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies and continuously entitled for standard amount or quantities	**128**	101	113
3. Net profit or loss generated by merging subsidiaries by business combination under common control from the beginning of the period to the combination date			-2
4. Other operating revenue and expenses except those mentioned above	**-1**	-6	-2
5. Effect on taxation	**-28**	-3	-25
Total	**82**	11	75

Note: For the figures of non-recurring gains and losses items, "+" indicates gains or income, "-" indicates losses or expense.

OPERATING RESULTS FOR 2015

The Group recorded a net profit attributable to shareholders of the Company of RMB-4,593 million and basic losses per share of RMB0.635 for the year ended 31 December 2015 as compared to a net profit attributable to shareholders of the Company of RMB928 million and a basic earnings per share of RMB0.128 for the year ended 31 December 2014.

DIVIDEND DISTRIBUTION

Since the Company incurred losses, pursuant to PRC laws and regulations and the articles of association of the Company, the Company did not make allocation to surplus reserve for the year of 2015. The Company will not distribute dividend or convert capital surplus into share capital for the year of 2015. This proposal shall be submitted to the 2015 Annual General Meeting for deliberation.

BUSINESS REVIEW

In 2015, China experienced slowdown in economic growth and excess steel capacity, which caused the domestic and overseas steel industry to enter into an "Ice Age" of severe challenges, fierce competition and difficult survival conditions. Confronted with complex and severe market situation, the Company unceasingly devoted itself to lowering cost and enhancing efficiency, proactively made adjustments to products structure, increased the portion of strategic products and exclusive leading products and introduced multiple measures to ensure the safe and low-cost operation of capital, with an aim to help the Company to survive the "severe winter" of the steel industry.

(1) Optimizing the management and control of production to ensure stable operation

During the Reporting Period, the Group produced 20.79 million tons of iron, representing a decrease of 4.56% as compared with the previous year; 20.51 million tons of steel, representing a decrease of 4.41% as compared with the corresponding period of the previous year; and 18.93 million tons of rolled steel, representing a decrease of 5.59% as compared with the previous year. Sale of rolled steel amounted to 19.1 million tons, representing a decrease of 4.45% as compared with the previous year. The Group achieved a sales-output ratio of 100.90%.

In 2015, in accordance with the principle of "steady and smooth operations, growth in scale, improvement of indices, and reduction of costs" (抓穩順、保規模、提指標、降成本), the Company strengthened organization of production as well as communication and coordination among various production bases and strived to ensure the stable operation of the Company.

(2) Continued lowering of cost and enhancing efficiency to fully exploit internal potential

The Company spared no effort to develop key projects and reduce process costs, strengthening research and analysis of the raw materials market, adjusting plans of coal blending and ore blending in a timely manner and choosing the right time of purchase to reduce procurement cost of raw materials. Moreover, the Company exploited iron resources available internally and optimized materials structure of blast furnace to reduce process costs.

Intensive and high-efficiency logistics management model was implemented to improve logistics efficiency and reduce logistics costs. Logistics projects along the coast were vigorously implemented; highway, railway and sea transportation programs were optimized and fixed price operation projects of multimodal transports were increased, which not only provided guarantee for production and efficiency, but also met the target of lowering logistics costs. Compared with the corresponding period of the previous year, logistics costs were reduced by 5.5%.

The Company tightened up the management of energy to improve efficiency. In 2015, energy indicators, such as comprehensive energy consumption and fresh water consumption per ton of steel, reached the best levels in history. In addition, recycling and comprehensive utilization and management of secondhand energy were strengthened; all of recycled converter gas, TRT generating capacity and recycled waste heat and surplus energy reached a new historical high.

(3) Vigorously developing the market to achieve marketing innovation from multiple channels

Marketing services were enhanced to expand market share. To respond to the unfavorable market situation, the Company proactively visited strategic customers to strengthen their strategic cooperation.

Technical marketing, service marketing and commercial marketing were promoted for an in-depth understanding of individual and high-end demands of customers in the industry, during which time, the technical support for marketing and service capability were strengthened continuously.

Marketing management platform construction was promoted and integrated with the Company's ERP production and marketing system, SAP financial cost system, logistics management information system and e-commerce system in order to respond quickly to market changes and changing customer demands. Futures hedging business was actively implemented to improve the Company's ability to resist market risks. Moreover, plans were made for the construction of online sales platform and the layout of points of sale in the northeast area to lay the foundation for further market expansion.

Market development of key projects were strengthened by supplying Q500qE steel plates used for Hutong Railway Yangtze River Bridge, a highway-railway cable-stayed bridge with the maximum span in the world. Steel used for nuclear power was sold overseas for the first time to Karachi nuclear power unit in Pakistan. Steel used for wind power was introduced to Pakistan Dawood wind power project, a "One Belt, One Road" overseas construction project. 20HR-B steel used for nuclear power and newly-developed by the Company was successfully supplied to China General Nuclear Power Corporation. Channel rail manufactured by the Company was successfully used for the first tramcar line in Guangzhou, etc.

With the constant efforts in reinforcing coordination and interaction of domestic and foreign trade, export volume increased. Annual amount of export and settled rolled steel totaled 2.8664 million tons, representing an increase of 14.35% as compared with the corresponding period of the previous year.

(4) Accelerating technological R&D to improve quality

The Company staunchly followed the path of pursuing high quality with differentiation, specialty and professionalization, taking meeting demands of the market and customers as the starting point and objective of product structure adjustment and upgrading. Throughout the year, 78 new products were approved, 41 new products were examined and accepted and 470 new product development agreements were entered into.

In 2015, the Company engaged in 343 scientific research tasks, ten national R&D projects were undertaken and ten major projects of Angang Group were developed, realizing profit from scientific research of RMB0.363 billion. Five projects including the "development and application of economical model and high-performance medium plate UFC-TMCP technology" were awarded the Liaoning Province Prize for Progress in Science and Technology; six projects including the "key SFR technology and application of continuous rolling wide flat hot steel" were awarded the Metallurgy Science and Technology Prize; 15 projects including the "Angang Steel new corrosion-resistant steel R&D" were awarded the Anshan Prize for Progress in Science and Technology. Moreover, the first national key laboratory for metallic material of marine equipment and its application was constructed in the Company.

(5) Strengthening capital supervision and control to improve financial support ability

Financing channels were consolidated and expanded to ensure capital supply. The Company consolidated the existing financing channels, and insisted on developing the documentary letter of credit payment business and financing business of import and export documentary bill; ensured the extension of the loan term of borrowings due based on the original maturity; revolved issuance of short-term and ultra short-term financing notes. Measures including guaranteed discounting for commercial acceptance bills were put forward in order to broaden the financing channels and safeguard the capital supply.

Liability structure was adjusted at the right time to reduce capital cost, and the Company chose the right time to discount bills to make repayment for bank loans. The Company arranged for re-financing of loans in advance in line with the pattern of the downward adjustments to the benchmark interest rates by the central bank. Further, the balance of periodic funds was utilized to commence the short-term wealth management business, thereby reducing the cost of funds of the Company.

The use of "two funds" was reduced comprehensively to vitalize inventory and release increment. The use of account receivables funds and reserve funds decreased by RMB0.712 billion and RMB2.869 billion, respectively, as compared with the beginning of the year.

(6) Strengthening environmental management and control to promote green development

The concept of green development was upheld and ecological civilization construction was reinforced. A total of 43 green development projects were implemented (e.g. Xidagou waste water advanced treatment) and RMB4.4 billion was invested and with these efforts, national and Liaoning province projects for which the Group was responsible were all completed. Moreover, in 2015, emissions of sulfur dioxide, nitric oxide, ammonia nitrogen and COD pollutants were reduced by 22.1%, 24.5%, 54.7% and 78.5%, respectively. Besides, remarkable effects were achieved by clean production.

DEVELOPMENT PLANS FOR 2016

1. Development strategy

The Company will strengthen quality steel, implement green manufacturing and provide excellent services.

2. Operation plan for the year of 2016

In 2016, the Company will place emphasis on three key factors: efficiency, quality and customers, taking the initiative to innovate and improve efficiency with the aim of improving the overall competitiveness of the Company. In particular the Company will:

(1) Strengthen corporate governance and improve development efficiency.

(2) Strengthen marketing to improve market share of products.

(3) Strengthen lean management to improve product brand value.

(4) Improve the operation of economic model to enhance the ability to reduce cost and increase efficiency.

(5) Strengthen demutualization operation to enhance diversified development.

(6) Improve risk prevention and control to boost the ability to adapt to new industry trends.

(7) Enhance the innovation-driven principle to improve market competitiveness.

(8) Strengthen the development of harmonious enterprise to enhance stable development force.

3. Plans for funding requirements

In 2016, the proposed investments for heat treatment line of medium steel plate with high-strength and thin gauge, major overhaul and revamp on chemical plant five coking, public auxiliary project of cool-rolled, high-strength continuous annealing line and other major projects, plus external investments will be RMB1.35 billion.

The sources of funding for the Group in 2016 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	52,759	74,046	(28.75)	Operating income decreased as compared with the previous year, mainly due to the decrease in the price of steel products and sales volume.
Operating costs	49,469	65,490	(24.46)	Operating costs decreased as compared with the previous year, mainly due to (i) the decrease in the price of raw materials and fuel 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 expenditure.
Marketing expenses	2,311	2,218	4.19	Marketing expenses increased as compared with the previous year, mainly due to (i) the optimized logistics management of the Company, and the increase in the settlement amounts of CIF settlement implemented to users, resulting in an increase in transportation costs; (ii) the increase in the amount of export, resulting in an increase in export operating expenses and consignment fees.

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
Administrative expenses	1,808	1,850	-2.27	Administrative expenses decreased as compared with the previous year, mainly due to (i) the unconventional measures adopted by the Company for reduction of costs, and (ii) adjustments to budget targets according to market changes, achieving rigid execution and significant reduction in expenses.
Financial expenses	1,346	1,272	5.82	Financial expenses increased as compared with the previous year, mainly due to devaluation of the RMB and exchange loss from the Company' s U.S. dollar -denominated loans.
Total profit	-3,763	1,579	-338.32	Total profit and net profit attributable to shareholders of the Company decreased as compared with the previous year, mainly due to the decrease in the price in the steel market but the relatively lower decrease in the price of raw materials such as mineral and coal; the profit margin of the Company was devoured by external market factors despite the Company's effort in reducing costs and increasing efficiency internally by extraordinary measures, it was not sufficient to cover the loss of profit due to the steep decline of steel price, resulting in a loss for the Company.
Net profit attributable to shareholders of the Company	-4,593	928	-594.94	

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	1,889	586	222.35	Net cash flow increased by RMB1,303 million as compared with the previous year, mainly due to (i) an increase of RMB3,000 million in net cash inflow from operating activities as compared with the previous year due to a decrease of RMB20,248 million in cash outflow for procurement of goods and services for the year and a decrease of RMB17,248 million in cash inflow from sales of goods and provision of services; (ii) a decrease of RMB1,697 million in net cash outflow from investing activities as compared with the previous year arising from the decrease in cash outflow from investing activities as a result of the decrease in cash paid for purchase and construction of fixed assets, construction in progress and investments; (iii) a decrease of RMB3,390 million in net cash flow from financing activities as compared with the previous year due to the increase of RMB8,046 million in cash outflow repaid for borrowings for the year as compared with the previous year, and the increase of RMB5,141 million in cash inflow of borrowings obtained for the year as compared with the previous year;(iv) a decrease of RMB4 million due to the effect of changes in foreign exchange.

2. Income and Cost

(1) Composition of operating income

Unit: RMB million

	2015		2014		
	Amount	**As a percentage of the operating income** *(%)*	Amount	As a percentage of the operating income *(%)*	Year-on-year increase/ decrease *(%)*
Total Operating Income	**52,759**	**100**	74,046	100	-28.75
By industry					
Steel rollling and processing industry	**52,686**	**99.86**	73,809	99.68	-28.62
Others	**73**	**0.14**	237	0.32	-69.20
By products					
Steel products	**48,513**	**91.95**	68,718	92.80	-29.40
Others	**4,246**	**8.05**	5,328	7.20	-20.31
By geographical locations					
China	**45,334**	**85.93**	64,822	87.54	-30.06
Export sales	**7,425**	**14.07**	9,224	12.46	-19.50

(2) Industries, products and geographical locations accounting for more than 10% of the operating income or operating profit of the Company

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 rolling and processing industry	52,686	49,396	6.24	-28.62	-24.44	-5.18
By products						
Hot-rolled sheets products	16,258	16,301	-0.26	-36.34	-31.49	-7.10
Cold-rolled sheets products	17,999	16,035	10.91	-27.96	-22.66	-6.11
Medium and thick plates	7,844	7,246	7.62	-24.02	-20.89	-3.66
By geographical locations						
China	45,334	42,195	6.92	-30.06	-26.01	-5.10
Export Sales	7,425	7,274	2.03	-19.50	-14.05	-6.22

In case of adjustment in statistical calibers of principal businesses of the Company during the Reporting Period, principal businesses data of the Company in the latest year according to adjusted calibers at the end of the Reporting Period.

☐ Applicable ☑ Not applicable

(3) ***Whether the Company's income from the sale of goods is greater than its income from the provision of services***

☑ Yes ☐ No

Industry Classification	**Item**	**2015**	2014	Year-on-year increase/ decrease *(%)*
Steel rolling and processing industry	Sales volume *(0'000 tons)*	**1,910.17**	1,999.21	-4.45
	Production volume *(0'000 tons)*	**1,892.81**	2,004.96	-5.59
	Stock volume *(0'000 tons)*	**103.01**	119.04	-13.47

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

☐ Applicable ☑ Not applicable

(4) ***Performance of material sales contracts entered into by the Company as of the end of the Reporting Period***

☐ Applicable ☑ Not applicable

(5) Composition of operating costs

Unit: RMB million

		2015		2014		Year-on-year
Industry Classification	**Item**	**Amount**	**As a percentage of operating costs (%)**	Amount	As a percentage of operating costs (%)	increase/ decrease in operating costs *(percentage point)*
Steel rolling and processing industry	Raw materials and fuel	**35,150**	**71.16**	50,063	76.58	-5.42
	Others	**14,246**	**28.84**	15,311	23.42	5.42
Total		**49,396**	**100.00**	65,374	100.00	–

(6) Whether the scope of consolidation had changed during the Reporting Period

☑ Applicable ☐ Not applicable

The Company established two subsidiaries, namely Angang Steel Laser Tailor-welded Plate (Changchun) Co., Ltd.* (鞍鋼激光拼焊板(長春)有限公司) and Angang Steel Processing and Distribution (Changchun) Co., Ltd.* (鞍鋼鋼材加工配送(長春)有限公司), and deregistered one subsidiary, namely Chengdu Angang Steel International Trading Co., Ltd* (成都鞍鋼國際貿易有限公司) for the year.

(7) Material changes or adjustment in businesses, products or services during the Reporting Period

☐ Applicable ☑ Not applicable

(8) Major customers and suppliers

Sales to major customers of the Company

Total sales amount of the top five customers *(RMB million)*	7,313
Proportion of total sales amount of the top five customers over total sales amount for the year *(%)*	14.17

Top five customers of the Company

No.	Customer name	Sales amount *(RMB million)*	As a percentage of total sales amount in the year *(%)*
1	Customer A	2,934	5.69
2	Customer B	1,430	2.77
3	Customer C	1,039	2.01
4	Customer D	1,007	1.95
5	Customer E	903	1.75
Total		7,313	14.17

Other explanations on major customers: the top five customers include joint ventures and subsidiaries of the Company.

Major suppliers of the Company

Total purchase amount from the top five suppliers *(RMB million)*	18,950
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year *(%)*	47.78

Top five suppliers of the Company

No.	Supplier name	Purchase amount *(RMB million)*	As a percentage of total purchase amount in the year *(%)*
1	Supplier A	7,921	19.97
2	Supplier B	4,738	11.95
3	Supplier C	2,765	6.97
4	Supplier D	1,910	4.82
5	Supplier E	1,616	4.07
Total		18,950	47.78

Other explanations on major suppliers: the top five suppliers include companies under the control of the same parent company.

3. Expenses

Unit: RMB million

Financial indicators	2015	2014	Increase/ decrease of the Reporting Period as compared with the corresponding period of the previous year *(%)*	Explanations on material changes
Marketing expenses	**2,311**	2,218	4.19	Marketing expenses during the year increased as compared with the previous year, mainly due to (i) the increase in transportation expenses following the increase in settlement at cost, insurance and freight (CIF) for users as part of the Company's efforts in optimizing its logistics management and (ii) the increase in export operating fee and service charge for commission sales following the increase in export volume.
Administrative expenses	**1,808**	1,850	-2.27	Administrative expenses during the year decreased as compared with the previous year, mainly due to costs reduced through extraordinary measures adopted by the Company and adjustment of budget indicators according to market changes, achieving rigid performance and sharply reducing expenditure.

Financial indicators	2015	2014	Increase/ decrease of the Reporting Period as compared with the corresponding period of the previous year *(%)*	Explanations on material changes
Financial expenses	**1,346**	1,272	5.82	Financial expenses increased as compared with the previous year, mainly due to devaluation of the RMB and exchange loss from the Company's U.S. dollar-denominated loans.
Income tax expenses	**837**	655	27.79	Income tax expenses increased as compared with the previous year, mainly due to the analysis and adjustment of deferred income tax by the Company based on its taxable income.

4. R&D expenditure

Unit: RMB million

Item	**2015**	2014	Year-on-year increase/ decrease *(%)*
Number of R&D staff *(person)*	**1,898**	1,694	12.04
Percentage of the number of R&D staff in the Company *(%)*	**5.02**	4.29	Increased by 0.73 percentage point
Amount of R&D expenditure	**1,331**	2,079	-35.98
Percentage of R&D expenditure over operating income *(%)*	**2.52**	2.81	Decreased by 0.29 percentage point
Amount of capitalization of R&D expenditure	**0**	0	–
Percentage of capitalization of R&D expenditure over the R&D expenditure *(%)*	**–**	–	–

Reasons for the significant change in the proportion of total R&D expenditure over operating income as compared with the previous year

☐ Applicable ☑ Not applicable

Reasons for and reasonableness of the significant change of the capitalization rate of R&D expenditure

☐ Applicable ☑ Not applicable

The number of patents in the recent two years

☑ Applicable ☐ Not applicable

	Application made during the Reporting Period	**Obtained during the Reporting Period**	**Aggregate number obtained as of the end of the Reporting Period**
Invention Patent	**694**	353	752
Utility model	**627**	603	2,024
Exterior design	**–**	–	–
Change of core technical team or key technical staff during the year	**Nil**		
Whether categorized as high-tech enterprise by the Ministry of Science and Technology	**No**		

5. Cash flow

Unit: RMB million

Item	**2015**	2014	Year-on-year increase/ decrease *(%)*
Sub-total of cash inflow from operating activities	**47,986**	65,234	-26.44
Sub-total of cash outflow from operating activities	**42,849**	63,097	-32.09
Net cash flow from operating activities	**5,137**	2,137	140.38
Sub-total of cash inflow from investing activities	**1,149**	671	71.24
Sub-total of cash outflow from investing activities	**3,877**	5,096	-23.92
Net cash flow from investing activities	**-2,728**	-4,425	38.35
Sub-total of cash inflow from financing activities	**30,134**	25,325	18.99
Sub-total of cash outflow from financing activities	**30,650**	22,451	36.52
Net cash flow from financing activities	**-516**	2,874	-117.95
Net increase of cash and cash equivalents	**1,889**	586	222.35

Explanations of the main factors for significant year-on-year change of the relevant figures:

☑ Applicable ☐ Not applicable

1. The decrease of RMB17,248 million in cash inflow from operating activities for the year as compared with the previous year was mainly due to the decrease in cash received from the sale of goods and provision of services following the decrease in both the price and sales of steel products.

2. The decrease of RMB20,248 million in cash outflow from operating activities for the year as compared with the previous year was mainly due to (i) the decrease in the production volume of steel, iron and materials, and the decrease in consumption as well as the decrease in volume of procurement arising from the Company's effort for timely procurement and (ii) the decrease in the fuel price, resulting in reduction of impact on cash paid for the procurement of goods and services.

3. The increase of RMB3,000 million in net amount of cash flow from operating activities for the year as compared with the previous year was mainly due to (i) a decrease of RMB20,248 million in the cash outflow for the procurement of goods and services, etc.; (ii) a decrease of RMB17,248 million in the cash inflow from the sale of goods and provision of services, etc.

4. The decrease of RMB478 million in cash inflow from investing activities for the year as compared with the previous year was mainly due to (i) the increase in cash from selling the stock of Zhuzhou Group and equity interests in Chongqing Automobile Steel and recouping the capital outlay; (ii) the increase in cash from investment income due to cash dividends received from the joint venture companies of the Company.

5. The decrease of RMB1,219 million in cash outflow from investing activities for the year as compared with the previous year was mainly due to the decrease in cash paid for the purchase and construction of fixed assets, construction in progress and investment.

6. The increase of RMB1,697 million in net cash outflow from investing activities for the year as compared with the previous year was mainly due to (i) the increase in cash from return on investment and obtaining income from investment; (ii) the decrease in cash paid for the purchase and construction of fixed assets, construction in progress and investment.

7. The increase of RMB4,809 million in cash inflow from financing activities for the year as compared with the previous year was mainly due to the increase in cash from borrowings obtained by the Company.

8. The increase of RMB8,199 million in cash outflow from financing activities for the year as compared with the previous year was mainly due to the increase in cash paid for repayment of bank borrowings by the Company.

9. The decrease of RMB3,390 million in net cash flow from financing activities for the year as compared with the previous year was mainly due to the fact that the increase in cash from borrowings obtained by the Company was less than the cash paid for repayment of borrowings.

10. The increase of RMB1,303 million in net cash flow for the year as compared with the previous year was mainly due to (i) an increase of RMB3,000 million in net cash inflow from operating activities as compared with the previous year due to a decrease of RMB20,248 million in cash outflow for the procurement of goods and services for the year and a decrease of RMB17,248 million in cash received from the sale of goods and provision of services; (ii) a decrease of RMB1,697 million in net cash outflow from investing activities as compared with the previous year arising from the decrease in cash outflow from investing activities as a result of the decrease in cash paid for the purchase and construction of fixed assets, construction in progress and investments; (iii) a decrease of RMB3,390 million in net cash flow from financing activities as compared with the previous year due to the increase of RMB8,046 million in cash outflow from repayment of borrowings as compared with the previous year, and the increase of RMB5,141 million in cash inflow of receivable borrowings as compared with the previous year; and (iv) the decrease of RMB4 million in cash due to the change in the exchange rate.

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

☑ Applicable ☐ Not applicable

Net amount of cash flow and net profit from the operating activities of the Group in 2015 is RMB5,137 million and RMB-4,600 million respectively. The main reasons are as follows:

Unit: RMB million

Net profit	-4,600
Add: Provision for impairment	60
Depreciation of fixed assets	3,767
Amortization of intangible assets	158
Loss on fixed assets disposal ("-" for gains)	17
Loss on the change of fair value ("-" for gains)	-4
Financial expenses ("-" for gains)	1,345
Investment loss ("-" for gains)	-391
Decrease in deferred tax assets ("-" for increase)	815
Increase in deferred tax liabilities ("-" for decrease)	12
Decrease in inventories ("-" for increase)	1,965
Decrease in operating receivables ("-" for increase)	1,391
Increase in operating payables ("-" for decrease)	618
Others	-16
Net cash flow from operating activities	5,137

6. Liquidity and financial resources

As of 31 December 2015, the Group had long-term loans (exclusive of loans due within one year) of RMB962 million with interest rates ranging from 4.2892% to 6.4% per annum. The term of such loans range from 3 to 25 years, and the loans will fall due during the period from 2017 to 2022. The loans are mainly used for replenishing working capital. The Group's long-term loans due within one year amounted to RMB592 million. The fixed interest rate as stipulated in the loan contract was adopted for all long-term borrowings of the Company. The interest rate was adjusted on annualized basis in accordance with the adjustments to the benchmark interest rate for loans of the same period made by the Central Bank.

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 credit rating of "AAA". In 2015, 19 financial institutes which had strategic cooperation with the Company had provided facilities to the Company. The Group is capable of repaying its debts when they become due.

As at 31 December 2015, cash and bank balances of the Group denominated in foreign currencies was nil (31 December 2014: nil).

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

Unit: RMB million

	31 December 2015	31 December 2014
RMB	**3,601**	1,712
US dollars	**–**	–
HK dollars	**–**	–
Others	**–**	–
Total	**3,601**	1,712

As of 31 December 2015, the Group had a total capital commitment of RMB1,438 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.

7. Pension scheme

In accordance with the requirements of national insurance policies of the PRC, the Company provides all employees with basic pension (which are contributed as to 20% by the employer and as to 8% by the individual employee), pursuant to which the employee is entitled to receive pension payments on a monthly basis after retirement. For each month, the Company makes contribution to the basic pension scheme at 20% of the gross salary recognized as cost (expenses) of the previous month. In 2015, the total contribution to the basic pension scheme amounted to RMB696 million (including the employer's contribution of RMB501 million and the employees' contribution of RMB195 million).

In addition, the Company maintains corporate annuity scheme for all of its employees, the contribution to which is made by the Company at 4% of the gross salary recognized as cost (expenses) of the previous year. The Company also made compensation to the employees for their years of service prior to the establishment of the corporate annuity scheme. In 2015, the total contribution to the corporate annuity scheme amounted to RMB220 million, including the employees' contribution of RMB59 million, the employer's contribution of RMB106 million and contribution as compensation for employees' years of service prior to the establishment of the scheme of RMB55 million.

8. Foreign exchange risk

The Group adopts fixed exchange rates in settling its transactions with export and import agents for export of products for selling, 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 transactions.

Foreign currency borrowings held by the Group amounted to USD400 million, of which, the foreign exchange risk was dependent on the foreign exchange rate of RMB over USD. In 2015, due to the changes in exchange rate of RMB over USD, the Company bore a loss of RMB179 million in currency exchange.

ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in composition of assets

Unit: RMB million

	End of 2015		End of 2014			
	Amount	**As a percentage of total assets** *(%)*	Amount	As a percentage of total assets *(%)*	Increase/ decrease *(%)*	Explanation for significant change
Monetary Capital	**3,601**	**4.06**	1,712	1.88	2.18	–
Account receivables	**1,123**	**1.27**	1,835	2.01	-0.74	–
Inventories	**8,008**	**9.04**	10,865	11.90	-2.86	–
Investment properties	**–**	**–**	–	–	–	–
Long-term equity investments	**2,673**	**3.02**	3,135	3.43	-0.41	–
Fixed assets	**51,014**	**57.58**	46,122	50.52	7.06	–
Construction in progress	**2,852**	**3.22**	5,933	6.50	-3.28	–

2. 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	Changes in fair value reported in equity	Impairment made for the period	Purchases during the period	Disposals during the 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	–	4	–	–	–	–	4
3. Available-for-sale financial assets	96	–	18	–	–	95	62
Sub-total of financial assets	96	4	18	–	–	95	66
Investment properties	–	–	–	–	–	–	–
Productive biological assets	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–
Total	96	4	18	–	–	95	66
Financial liabilities	–	–	–	–	–	–	–

Material changes in measurement of major assets during the Reporting Period

☐ Yes ☑ No

3. Gearing ratio

As at 31 December 2015 and 31 December 2014, the Group's ratio of equity to liability was 0.97 times and 1.12 times, respectively.

4. **Pledge of assets**

The Group pledged notes receivable with a carrying amount of RMB597 million to Shanghai Pudong Development Bank during the year to apply for the issuance of notes payable of RMB547 million. The term of pledge is from December 2015 to May 2016.

5. **Contingent liabilities**

As of 31 December 2015, the Group had no contingent liabilities.

ANALYSIS ON THE CORE COMPETITIVENESS

1. **Technical and equipment capacity**

Over the years, the Company has continuously carried out technological transformation and as a result, the level of technology and equipment has continuously improved, which made its main equipment modernized and large-scale. Its principal production techniques and technological equipment have reached national advanced level. Bayuquan Iron & Steel Branch Company* (鮁魚圈鋼鐵分公司) possesses advanced technological equipment and technique, among which the 5,500 mm wide and heavy plate production line is currently one of the largest plate mills of wide and heavy plates in the world. Besides, its roughing rolling unit is capable of completing the full production process of ultra-thin, ultra-wide and ultra-thick products within 60 tons through steel ingot, compound compact and continuous casting.

The Company successfully developed the first cold-rolled sheet measuring system as well as the first strip shape control system for industrial application in the PRC and put them into industrial application. Besides, the Company has registered the technical trademark "AnShaper" for "independent R&D and industrial application of core technology of cold-rolling mill strip shape control system", thus breaking the long-term technological monopoly of strip shape control system of cold-rolled sheet by foreign countries, making China one of the few countries in the world which has grasped the comprehensive strip shape control technology of cold-rolled sheet for industrial application. Moreover, three projects undertaken by the Company including the "corrosion resistant steel plate industrial production technology for cargo tanks" under the national science and technology support plan of the Twelfth Five-year Plan have been accepted by the Ministry of Science and Technology. By virtue of this project, the anti-corrosion nature of steel plates has increased by five times, breaking the technological monopoly by foreign countries and highlighting the unique advantage and competitive strength of the Company in R&D of steel used for ships and ocean engineering.

2. R&D capacity for products

With a vast variety of products and complete specifications, the Company has become an industry leader with respect to sheets for automobiles, home appliances, containers and other products. Moreover, the Company is capable of manufacturing high-grade surface cold-rolled and galvanized sheets used for covering external parts of automobiles, which are widely used for domestic independent brands and JV brands. Meanwhile, steel for railway as well as steel plates for containers and ships have continued to be named "China top brand".

The following products of the Company have been awarded the "Golden Cup Prize" for quality metallurgical products in 2015: steel rail for high-speed rail, carbon steel green rod for cold heading, 8.8 boron containing steel green rod for cold heading, seamless steel tube for large volume gas cylinder (cold-drawing), seamless steel tube for low temperature (hot rolling), pipeline tube (hot-rolling seamless pipe), casing and oil tube (hot-rolling seamless pipe), hot-rolled flat steel for cold forming mold, hot-rolled round steel for cold forming mold, forging round steel for cold forming mold, forging round steel for turbine blade, seamless steel tube for high-pressure boiler (cold processing), hot rolled steel plate and steel belt for vehicle structure, hot rolled band for automotive frame and hot rolled band for automobile wheel.

In 2015, the Company made use of its advantages in independent innovation and accelerated R&D of new exclusive products and strategic products, leading to constant improvement of cits independent innovation capability.

(1) Steel for automobiles

The following products are developed by the Company and supplied to customers in batches: advanced high-strength steel products represented by duplex steel and transformation induced plasticity steel, traditional high-strength steel products represented by bake hardening steel and low alloy and high-strength steel, high-end surface steel products represented by O5 sheet and drawing steel products represented by St16. Based on this, the Company has developed the new generation of steel for automobiles represented by TWIP steel and QP steel, which are under way to enter the market.

(2) ***Steel for nuclear power and Ni steel***

The Company has managed to manufacture nuclear-grade 1 products 15MnNi steel used for nuclear island support exclusively in China; completed on an exclusive basis and passed the assessment of nuclear-grade 1 equipment voltage stabilizer end socket and barrel 16MND5 steel, thereby successfully replacing exports with supplying products in batches. Enormous progress has been achieved in the development of Ni steel and exclusive production in China was achieved for supply of 5Ni steel. Besides, quality control reached 6 σ level and laid the foundation for localization of the overall design, construction and export of LEG vessels. 9Ni steel has become the first enterprise in the PRC to integrate production, manufacture, prefabricating and degaussing in its full supply chain.

(3) ***Steel for vessels and oceanographic engineering***

The Company is the first in the PRC to have completed the development and authentication of TMCP ultra-thick high-strength steel and super-strength steel for vessels and oceanographic engineering, the production technology of which reached international leading level. Besides, the Company is the first in the PRC to have passed the highest level FQ70 authentication for steel used for oceanographic engineering. Also, the Company is the first supplier to exclusively supply independently designed and manufactured steel for ice breakers for the first time in the PRC.

(4) ***Steel for high speed train***

The Company is the first to lay technical conditions suitable for the PRC for purchasing steel used for bogie of high speed train, realizing early-stage trial application of the localization of steel for bogie of high speed train and achieving core technology and products with independent intellectual property. Up until now, we are the only supplier for steel used for bogie of high speed train.

(5) ***Oriented silicon steel***

By virtue of upgrading of equipment functions and development of technology, conventional oriented silicon steel products of the Company have been upgraded to a new level and preparative technique of high-silicon oriented silicon steel (Fe-6.5wt.%Si) has been reserved: oriented silicon steel of average magnetic strength has been replaced by oriented silicon steel of high magnetic strength, stable scale production of grade 30 oriented silicon steel of high magnetic strength has been achieved and small-lot production of Grades 27 and 23 steel has been achieved; for the first time, China has realized industrial production of smelting and continuous casting of high-silicon oriented silicon steel (Fe-6.5wt.%Si).

(6) Steel for pipelines

The Company has developed X80-grade large deformation resistance pipeline steel and completed kiloton trial-manufacture and supply. The products have passed the examination and review of Xi'an Tubular Goods Research Institute and the appraisal of PetroChina and China Iron and Steel Association, making the Company one of the two organizations in China qualified for supply of the products. Besides, the Company has maintained a leading position in R&D of pipeline steel in China.

(7) Steel rail for railway

Online heat-treated rails of 100m 60Kg/m U75V and 75m 75Kg/m U77MnCr manufactured by the Company have passed the technical evaluation of experts organized by China Railway with the successful trial laying of nearly 10,000 ton full-length quenched rails completed in October 2015. Online heat-treated technology for full-length quenched rail is characterized by mature technique and stable quality, and has achieved international advanced level.

3. Patented technology

In 2015, the Company applied for 694 invention patents in total. The number of applications for invention patents is increasing progressively with higher technical content achieved. Product optimization and development as well as R&D for field of technology continue, making the Company equipped with strong core competitiveness for proprietary technology.

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

1. There have been no changes in accounting policies of the Group during the Reporting Period.

2. Changes in accounting estimates of the Group during the year are as follows:

   In the light of the actual circumstances of the Group in recent years including the increase in investment in fixed assets, the actual useful life of certain fixed assets was re-assessed by the relevant departments. During the 42nd meeting of the sixth session of the Board, it was voted and approved that the depreciable life of fixed assets would be adjusted from 1 November 2015. The details are as follows:

Category of fixed assets	Before change		After change	
	Estimated depreciable life *(year)*	Annual depreciation rate *(%)*	Estimated depreciable life *(year)*	Annual depreciation rate *(%)*
Conduction equipment	19	5.00	24	3.96
Machinery equipment	19	5.00	24	3.96
Power equipment	12	7.92	17	5.59
Transportation equipment	10	9.50	12	7.92

   These changes in accounting estimates have no impact on the business scope of the Group. However, fixed assets depreciation decreased by RMB0.1 billion and shareholders' equity and net profit increased by RMB75 million for the year of 2015.

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

During the year, the Company established two subsidiaries, namely Angang Steel Laser Tailor-welded Plate (Changchun) Co., Ltd.* (鞍鋼激光拼焊板(長春)有限公司) and Angang Steel Processing and Distribution (Changchun) Co., Ltd.* (鞍鋼鋼材加工配送(長春)有限公司), and deregistered one subsidiary, namely Chengdu Angang Steel International Trading Co., Ltd* (成都鞍鋼國際貿易有限公司).

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

The Company has adopted the code provisions 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 code provisions of the Corporate Governance Code:

(1) In accordance with code 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 2015, 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 standardized the operation, and established a comprehensive corporate governance system and an effective internal control system, which lowered the legal risks to the Directors. Therefore, no insurance arrangement was made in respect of the Directors.

Audit Committee

The Audit Committee and the management of the Company have jointly examined the Company's accounting policy and have discussed issues in relation to the auditing, internal control and financial statements of the Company, including a review of the audited financial statements for the year ended 31 December 2015.

Material guarantee

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

Annual General Meeting

The annual general meeting of the Company for the year of 2015 will be held on Wednesday, 8 June 2015. A notice to convene the annual general meeting of the Company for 2015 and the 2015 annual report of the Company will be published and delivered to H shareholders of the Company as required by the Hong Kong Listing Rules in due course.

CONSOLIDATED BALANCE SHEET
As at 31 December 2015

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

Items	*Note*	**31 December 2015**	31 December 2014
Current assets:			
Cash at banks and on hand		**3,601**	1,712
Financial assets at fair value through profit or loss		**4**	
Notes receivable		**8,311**	8,607
Accounts receivable	2	**1,123**	1,835
Prepayments		**2,493**	3,587
Dividend receivable		**6**	
Other receivables		**49**	18
Inventories		**8,008**	10,865
Non-current assets due within 1 year			
Other current assets			
Total current assets		**23,595**	26,624
Non-current assets:			
Available-for-sale financial assets		**849**	869
Long-term equity investments		**2,673**	3,135
Investment properties			
Fixed assets		**51,014**	46,122
Construction in progress		**2,852**	5,933
Construction material		**6**	38
Intangible assets		**6,086**	6,234
Long term deferred expenses			
Deferred income tax assets		**1,521**	2,336
Other non-current assets			
Total non-current assets		**65,001**	64,667
Total assets		**88,596**	91,291

CONSOLIDATED BALANCE SHEET *(Continued)*

Liabilities and shareholders' equity	*Note*	**31 December 2015**	31 December 2014
Current liabilities:			
Short-term loans		**16,319**	14,672
Notes payable		**3,991**	356
Accounts payable	3	**5,799**	8,289
Advances from customers		**2,834**	3,332
Employee benefits payable		**167**	228
Tax and surcharges payable		**20**	76
Interest payable		**181**	203
Other payables		**2,106**	1,894
Non-current liabilities due within 1 year		**4,587**	1,701
Other current liabilities		**7,000**	6,000
Total current liabilities		**43,004**	36,751
Non-current liabilities:			
Long-term loans		**962**	1,371
Bonds payable			3,983
Long-term employee benefits payable		**1**	1
Deferred income		**914**	969
Deferred income tax liabilities		**34**	20
Other non-current liabilities			
Total non-current liabilities		**1,911**	6,344
Total liabilities		**44,915**	43,095

CONSOLIDATED BALANCE SHEET *(Continued)*

Items	*Note*	**31 December 2015**	31 December 2014
Shareholders' equity:			
Share capital		**7,235**	7,235
Capital reserve		**31,519**	31,154
Other comprehensive income		**18**	7
Special reserve		**54**	30
Surplus reserve		**3,580**	3,580
Undistributed profits	4	**868**	5,787
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		**43,274**	47,793
Minority interests		**407**	403
Total shareholders' equity		**43,681**	48,196
Total liabilities and shareholders' equity		**88,596**	91,291

CONSOLIDATED INCOME STATEMENT

For the 12 months ended 31 December 2015

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

Items	*Note*	For the 12 months ended 31December 2015 **2015**	2014
1. Operating income		**52,759**	74,046
Including: Operating income	5	**52,759**	74,046
2. Operating costs		**57,027**	73,154
Including: Operating costs	5	**49,469**	65,490
Business tax and surcharges	6	**224**	213
Marketing expenses		**2,311**	2,218
Administrative expenses		**1,808**	1,850
Financial expenses	8	**1,346**	1,272
Impairment losses on assets		**1,869**	2,111
Add: gains/losses from fair value variation		**4**	
Investment income		**391**	673
Including: Income from investment in joint ventures and associates		**340**	587
3. Operating profit		**(3,873)**	1,565
Add: Non-operating income		**182**	161
Less: Non-operating expenses		**72**	147
Including: Losses on non-current assets disposal		**32**	137
4. Profit before income tax		**(3,763)**	1,579
Less: Income tax expenses	9	**837**	655
5. Net profit		**(4,600)**	924
Net profit attributable to shareholders of parent company		**(4,593)**	928
Gains/losses attributable to minority shareholders		**(7)**	(4)

Items	*Note*	For the 12 months ended 31December 2015 **2015**	2014
6. The net amount after tax of other comprehensive income		**11**	26
(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		**11**	26
a. The shares of the other comprehensive income which can be reclassified in profits or losses of the invested company in equity method		**4**	(4)
b. The profits or losses from the change of the fair value of available-for-sale financial assets		**7**	30
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			

Items	*Note*	For the 12 months ended 31December 2015 **2015**	 2014
7. Earnings per share			
(1) basic earnings per share *(RMB/share)*	10	**(0.635)**	0.128
(2) diluted earnings per share *(RMB/share)*	10	**(0.635)**	0.128
8. Total comprehensive income		**(4,589)**	950
The other comprehensive income belongs to the owners of the company		**(4,582)**	954
The other comprehensive income belongs to the minority		**(7)**	(4)

NOTES
(All amounts in RMB million unless otherwise stated)

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 (2015 revised) issued by the China Securities Regulatory Commission.

According to the Accounting Standards for Business Enterprises ' the group's accounting based on the accrual system. The financial statements are based on historical cost except some financial instruments. The group will calculate the related devalued allowance if varieties of assets of a corporation devalue.

2. ACCOUNTS RECEIVABLE

(1) Nature of accounts receivable

	Closing balance			
	Book value		Bad debt provision	
Items	Balance	Percentage (%)	Balance	Percentage (%)
Accounst receivable with significant single amount subject to individual impairment	**741**	**65**		
Other accounts receivable with insignificant single amount subject to individual impairment	**383**	**35**	**1**	**100**
Total	**1,124**	**100**	**1**	**100**

Items	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

(2) Aging of account receivables

Aging	**Closing balance**			
	Book value		**Bad debt provision**	
	Amount	**Percentage (%)**	**Amount**	**Percentage (%)**
Within 1 year	**1,042**	**93**		
1 to 2 years	**78**	**7**		
2 to 3 years	**3**			
Over 3 years	**1**		**1**	**100**
Total	**1,124**	**100**	**1**	**100**

Aging	Opening balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,694	92		
1 to 2 years	141	8		
2 to 3 years				
Over 3 years	1		1	100
Total	1,836	100	1	100

3. ACCOUNTS PAYABLE

Items	Closing balance		Opening balance	
	Balance	**Percentage** *(%)*	Balance	Percentage (%)
Within 1 year	**5,733**	**99**	8,202	100
1 to 2 years	**7**		1	
2 to 3 years	**1**		43	
Over 3 years	**58**	**1**	43	
Total	**5,799**	**100**	8,289	100

4. UNDISTRIBUTED PROFITS

Items	This year
Opening balance	**5,787**
Increase of the year	**(4,593)**
Including: Net profit transferred this year	**(4,593)**
Other adjustment factors	
Decrease of the year	**326**
Including: Extraction of surplus reserve this year	
Extraction of general risk provisions this year	
Distribution of cash dividend this year	**326**
Conversed capital	
Other decreases	
Closing balance	**868**

Note: On 3 June 2015, the 2014 annual general meeting of the shareholders of the Company has reviewed and approved the Profit Distribution Plan for the year of 2014. On the basis of the total share capital as of 31 December 2014 consisting of 7,234,807,847 shares, cash dividend of RM0.045 per share shall be distributed, which amounts to the sum of RMB326 million.

5. OPERATING INCOME AND OPERATING COSTS

Operating income and operating costs

Items	**This year**	Last year
Operating income from main business	**52,686**	73,809
Other operating income	**73**	237
Total	**52,759**	74,046
Operating cost for main business	**49,396**	65,374
Other operating cost	**73**	116
Total	**49,469**	65,490

6. BUSINESS TAXES AND SURCHARGES

Items	**This year**	Last year
Resources tax and business tax	**8**	5
City maintenance and construction tax	**126**	121
Educational surcharge and local educational surcharge	**90**	87
Custom duty		
Total	**224**	213

7. DEPRECIATION AND AMORTIZATION

Items	**This year**	Last year
Depreciation of fixed assets	**3,767**	3,829
Amortization of intangible assets	**158**	155
Total	**3,925**	3,984

8. FINANCIAL EXPENSES

Items	**This year**	Last year
Interest expense	**1,528**	1,611
Including: The interest on bank loans and other loans must be fully repaid within 5 years	**911**	873
Finance charges during the financing lease period		
Other Interest expense	**617**	738
Less: Interest income	**33**	12
Less: Capitalized interest expense	**299**	299
Exchange gain or loss	**113**	(61)
Less: Capitalized exchange gain or loss		
Others	**37**	33
Total	**1,346**	1,272

9. INCOME TAX EXPENSES

Items	**This year**	Last year
Income tax calculated according to the Tax Law and the relevant regulations	**10**	
Changes on deferred income tax expenses	**827**	655
Total	**837**	655

10. BASIC EPS AND DILUTED EPS

Items		This year	Last year
(a)	Basic EPS *(RMB/share)*	**(0.635)**	0.128
(b)	Diluted EPS *(RMB/share)*	**(0.635)**	0.128

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 December 2015**	As at 31 December 2014
Investment contracts entered but not performed or performed partially	**18**	158
Construction and renovation contracts entered but not performed or performed partially	**1,420**	5,007
Total	**1,438**	5,165

13. NET CURRENT ASSETS

Items	**Closing balance**	Opening balance
Current assets	**23,595**	26,624
Less: current liabilities	**43,004**	36,751
Net current assets/(liabilities)	**(19,409)**	(10,127)

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	**88,596**	91,291
Less: current liabilities	**43,004**	36,751
Total assets less current liabilities	**45,592**	54,540

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

Anshan City, Liaoning Province, the PRC
30 March 2016

As at the date of this announcement, the Board of the Company 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

* *For identification purposes only*