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)

2016 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB25,430 million
- Total profit amounted to RMB308 million
- Net profit attributable to shareholders of the Company amounted to RMB300 million
- Basic earnings per share amounted to RMB0.041 (January to June in 2015: basic earnings per share of RMB0.021)
- The financial information contained in this announcement was prepared in accordance with the Accounting Standards for Business Enterprises in the PRC

The Board is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2016 together with the comparative figures as stated herein.

DEFINITIONS:

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

"Angang Financial Company"	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
"Angang Group"	Angang Group Company and subsidiaries held by it as to 30% or more (excluding the Group)
"Angang Group Company"	Angang Group Company* (鞍鋼集團公司)
"Angang Holding"	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司)
"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)
"Group" or "Angang Steel Group"	Angang Steel Company Limited and its subsidiaries
"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)
"Pangang Vanadium & Titanium"	Pangang Group Steel Vanadium & Titanium Co., Ltd* (攀鋼集團鋼鐵釩鈦股份有限公司)
"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 2016

I. FINANCIAL INFORMATION

Consolidated Balance Sheet
30 June 2016

Prepared by: Angang Steel Company Limited *Monetary unit: RMB million*

Assets	*Note*	**30 June 2016**	31 December 2015
Current assets:			
Cash at banks and on hand		**2,407**	3,601
Financial assets at fair value through profit or loss			4
Notes receivable		**7,900**	8,311
Accounts receivable	2	**1,579**	1,123
Prepayments		**3,063**	2,493
Dividend receivable		**6**	6
Other receivables		**47**	49
Inventories		**8,613**	8,008
Non-current assets due within 1 year			
Other current assets			
Total current assets		**23,615**	23,595
Non-current assets:			
Available-for-sale financial assets		**834**	849
Long-term equity investments		**2,504**	2,673
Investment properties			
Fixed assets		**49,796**	51,014
Construction in progress		**2,853**	2,852
Construction material		**93**	6
Intangible assets		**6,007**	6,086
Long term deferred expenses			
Deferred income tax assets		**1,506**	1,521
Other non-current assets			
Total non-current assets		**63,593**	65,001
Total assets		**87,208**	88,596

Consolidated Balance Sheet *(continued)*

Liabilities and shareholders' equity	*Note*	30 June 2016	31 December 2015
Current liabilities:			
Short-term loans		**22,262**	16,319
Financial liabilities at fair value through profit or loss		**14**	
Notes payable		**3,725**	3,991
Accounts payable	3	**6,128**	5,799
Advances from customers		**2,907**	2,834
Employee benefits payable		**230**	167
Tax and surcharges payable		**33**	20
Interest payable		**84**	181
Other payables		**2,369**	2,106
Non-current liabilities due within 1 year		**147**	4,587
Other current liabilities		**3,000**	7,000
Total current liabilities		**40,899**	43,004
Non-current liabilities:			
Long-term loans		**1,424**	962
Bonds payable			
Long-term employee benefits payable		**1**	1
Deferred income		**885**	914
Deferred income tax liabilities		**15**	34
Other non-current liabilities			
Total non-current liabilities		**2,325**	1,911
Total liabilities		**43,224**	44,915

Consolidated Balance Sheet *(continued)*

Liabilities and shareholders' equity	*Note*	**30 June 2016**	31 December 2015
Shareholders' equity:			
Share capital		**7,235**	7,235
Capital reserve		**31,519**	31,519
Other comprehensive income		**7**	18
Special reserve		**71**	54
Surplus reserve		**3,580**	3,580
Undistributed profits	4	**1,168**	868
Differences from translation of foreign currency			
Total shareholders' equity attributable to shareholders of parent company		**43,580**	43,274
Minority interests		**404**	407
Total shareholders' equity		**43,984**	43,681
Total liabilities and shareholders' equity		**87,208**	88,596

Consolidated Income Statement
For the six months ended 30 June 2016

Prepared by: Angang Steel Company Limited *Monetary unit: RMB million*

Items	*Note*	For the six months ended 30 June **2016**	2015
1. Operating income		**25,430**	28,992
Including: Operating income	5	**25,430**	28,992
2. Operating costs		**25,365**	29,134
Including: Operating costs	5	**22,217**	25,402
Business tax and surcharges	6	**139**	148
Marketing expenses		**961**	1,191
Administrative expenses		**729**	911
Financial expenses	8	**618**	618
Impairment losses on assets		**701**	864
Add: Gains/losses from fair value variation		**(14)**	
Investment income		**224**	227
Including: Income from investment in joint ventures and associates		**210**	170
3. Operating profit		**275**	85
Add: Non-operating income		**50**	92
Less: Non-operating expenses		**17**	12
Including: Losses on non-current assets disposal		**13**	6
4. Profit before income tax		**308**	165
Less: Income tax expenses	9	**11**	14

Consolidated Income Statement *(continued)*

Items	*Note*	For the six months ended 30 June **2016**	2015
5. Net profit		**297**	151
Net profit attributable to shareholders of parent company		**300**	155
Gains/losses attributable to minority shareholders		**(3)**	(4)
6. The net amount after tax of other comprehensive income		**(11)**	8
(1) The other comprehensive income which cannot 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 cannot 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)**	8
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		**(11)**	9

Consolidated Income Statement *(continued)*

Items	*Note*	**For the six months ended 30 June** **2016**	2015
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)*		**0.041**	0.021
(2) Diluted earnings per share *(RMB/share)*		**0.041**	0.021
8. Total comprehensive income		**286**	159
Total other comprehensive income belongs to the owners of the parent company		**289**	163
Total other comprehensive income belongs to the minority		**(3)**	(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 China Securities Regulatory Commission.

2. ACCOUNTS RECEIVABLE

(1) Nature of accounts receivable

	Closing balance			
	Book value		**Bad debt provision**	
Items	**Balance**	**Percentage** *(%)*	**Balance**	**Percentage** *(%)*
Accounts receivable with significant single amount subject to individual impairment	**1,132**	**78**		
Other accounts receivable with insignificant single amount subject to individual impairment	**448**	**22**	**1**	**100**
Total	**1,580**	**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	741	65		
Other accounts receivable with insignificant single amount subject to individual impairment	383	35	1	100
Total	1,124	100	1	100

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

(2) Aging of account receivables

Aging	**Closing balance**			
	Book value		**Bad debt provision**	
	Balance	**Percentage (%)**	**Balance**	**Percentage (%)**
Within 1 year	**1,479**	**94**		
1 to 2 years	**72**	**5**		
2 to 3 years	**28**	**1**		
Over 3 years	**1**		**1**	**100**
Total	**1,580**	**100**	**1**	**100**

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

3. ACCOUNTS PAYABLE

Aging	Closing balance Balance	 Percentage (%)	Opening balance Balance	 Percentage (%)
Within 1 year	**6,064**	**99**	5,733	99
1 to 2 years	**4**		7	
2 to 3 years	**2**		1	
Over 3 years	**58**	**1**	58	1
Total	**6,128**	**100**	5,799	100

4. UNDISTRIBUTED PROFITS

Items	This period
Opening balance	**868**
Increase of this period	**300**
Including: Net profit transferred during this period	**300**
Other adjustment factors	
Decrease of this period	
Including: Extraction of surplus reserve during this period	
Extraction of general risk provisions during this period	
Distribution of cash dividend during this period	
Conversed capital	
Other decreases	
Closing balance	**1,168**

5. OPERATING INCOME AND OPERATING COSTS

Operating income and operating costs

Items	**This period**	Previous period
Operating income from main business	**25,374**	28,960
Other operating income	**56**	32
Total operating income	**25,430**	28,992
Operating cost for main business	**22,164**	25,374
Other operating cost	**53**	28
Total operating cost	**22,217**	25,402

6. BUSINESS TAXES AND SURCHARGES

Items	**This period**	Previous period
Resources tax and business tax	**1**	2
City maintenance and construction tax	**80**	85
Educational surcharge and local educational surcharge	**58**	61
Custom duty		
Total	**139**	148

7. DEPRECIATION AND AMORTIZATION

Items	This period	Previous period
Depreciation of fixed assets	**1,684**	1,936
Amortization of intangible assets	**79**	79
Total	**1,763**	2,015

8. FINANCIAL EXPENSES

Items	This period	Previous period
Interest expense	**640**	770
Less: Interest income	**22**	7
Less: Capitalized interest expense	**36**	115
Exchange gain or loss	**33**	(38)
Less: Capitalized exchange gain or loss		
Others	**3**	8
Total	**618**	618

9. INCOME TAX EXPENSES

Items	This period	Previous period
Income tax calculated according to the Tax Law and the relevant regulations	**11**	1
Changes on deferred income tax expenses		13
Total	**11**	14

10. BASIC AND DILUTED EARNINGS PER SHARE

Items	This period	Previous period
(a) Basic earnings per share *(RMB/share)*	**0.041**	0.021
(b) Diluted earnings per share *(RMB/share)*	**0.041**	0.021

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 2016	As at 30 June 2015
Investment contracts entered into but not performed or partially performed	**18**	439
Construction and renovation contracts entered into but not performed or partially performed	**1,648**	7,319
Total	**1,666**	7,758

13. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	**23,615**	23,595
Less: current liabilities	**40,899**	43,004
Net current assets/(liabilities)	**(17,284)**	(19,409)

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	**Closing balance**	Opening balance
Total assets	**87,208**	88,596
Less: current liabilities	**40,899**	43,004
Total assets less current liabilities	**46,309**	45,592

II. REPORT OF THE BOARD OF DIRECTORS

(I) Overview

In the first half of 2016, China's steel market picked up as steel prices rose. However, the problem of overcapacity in the steel industry remained serious, and there was still a marked imbalance between supply and demand. The Company adhered to the principle of "efficiency as priority and focus on quality improvement" by strengthening the focus on key products to ensure the production and sales of high efficiency products. The Company continued to tap its internal potential in order to significantly reduce costs and increase efficiency and to enhance management standard. In line with the guidelines of China's supply-side reforms, the Company had increased its efforts in technological innovation to create unique and leading-edge products. The Company had also increased its efforts in developing personalized products to increase the proportion of high added-value and high-margin products so as to consistently improve the Company's market competitiveness.

In the first half of the year, the Company achieved net profit attributable to the shareholders of the Company of RMB300 million, representing an increase of 93.55% as compared with the corresponding period of the previous year. Basic earnings per share was RMB0.041, representing an increase of 95.24% as compared with the corresponding period of the previous year.

(II) Analysis of principal businesses

1. *Overview*

During the Reporting Period, the Group achieved operating income of RMB25,430 million, representing a decrease of 12.29% as compared with the corresponding period of the previous year. The operating costs were RMB22,217 million, representing a decrease of 12.54% as compared with the corresponding period of the previous year. The Group also achieved operating profit of RMB275 million, total profit of RMB308 million, net profit of RMB297 million and net profit attributable to the shareholders of the Company of RMB300 million, representing an increase of 223.53%, 86.67%, 96.69% and 93.55%, respectively, as compared with the corresponding period of the previous year.

Unit: RMB million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/ decrease *(%)*	Reasons for the changes
Operating income	**25,430**	28,992	-12.29	
Operating costs	**22,217**	25,402	-12.54	
Marketing expenses	**961**	1,191	-19.31	
Administrative expenses	**729**	911	-19.98	
Financial expenses	**618**	618	–	
Income tax expenses	**11**	14	-21.43	
Investment income	**224**	227	-1.32	
Net cash flow from operating activities	**1,439**	1,691	-14.90	
Net cash flow from investing activities	**138**	-1,549	108.91	Mainly attributable to (i) the dividend distribution and income from test run of RMB551 million received from joint ventures and associates, cash paid for purchase and construction of construction in progress and fixed assets of RMB413 million and net cash inflow of RMB138 million during the Reporting Period; (ii) the dividend distribution and income from test run received of RMB836 million, cash paid for purchase and construction of construction in progress and fixed assets of RMB2,385 million and net cash outflow of RMB1,549 million during the corresponding period of the previous year.

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	**-2,752**	339	-911.80	Mainly attributable to the increase in cash paid for settling debts.
Net increase of cash and cash equivalents	**-1,194**	478	-349.79	The amount of net cash flows decreased by RMB1,672 million as compared with the corresponding period of the previous year, which was mainly attributable to (i) the decrease in net cash flow of financing activities of RMB3,091 million due to the increase in cash paid for settling debts; (ii) the increase of RMB1,687 million as a result of net inflow from investing activities recorded during the Reporting Period while net outflow was recorded for the corresponding period of the previous year; (iii) the decrease in net cash flows of operating activities of RMB252 million; and (iv) impact from changes in exchange rates, resulting in a decrease of RMB16 million.

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) Precisely coordinating production to achieve stable operation

During the Reporting Period, the Group produced 10,800,000 tonnes of iron, 10,740,000 tonnes of steel, and 9,860,000 tonnes of steel products, representing a decrease of 1.34%, a decrease of 0.17% and an increase of 0.79%, respectively, over the corresponding period of the previous year. The Group's sale of steel products amounted to 9,610,000 tonnes, an increase of 2.54% over the corresponding period of the previous year, achieving a sale-to-production ratio of 97.47% for steel products.

(2) Organizing cost reduction measures to improve cost saving and efficiency

The Company established a "system cost reduction team" to identify shortcomings through a theoretical modeling system and to find out the gaps through benchmarking with leading enterprises. The Company had clearly identified system cost reduction objectives in 45 task areas based on nine work themes including "iron element flow, carbon element flow, processing fee".

Innovative methods of procurement and product structure optimization continued to reduce procurement costs. Appropriate timing of procurement was identified, pricing was set flexibly based on market changes and comprehensive analysis was conducted to maximize benefit.

(3) Strengthening technological innovation to promote product upgrades

The Company firmly seized market opportunities and accurately identified its market position. The trend in key customers' demand and product upgrade was well grasped. Through strengthening technological innovation, the Company continuously improved product quality, product structure and product grading. The pace of developing new, leading-edge, unique and strategic products continued to accelerate. As a result, our products' market competitiveness continued to improve.

In the first half of the year, the Company succeeded in using large steel ingot to produce 16MND5 regulator steel plate for nuclear-grade 1 equipment, which had obtained the accreditation certificate from China General Nuclear Power Corporation and was successful in producing and supplying the regulator steel plate for Yangjiang No.6 Reactor. The Company was also successful in developing the steel plate used for the safety vessel of marine nuclear power platforms, therefore opening up a new world of nuclear power steel plate for the Company. The Company had completed the certification of crack arrest steel used for large container vessels by all classification societies. As a result, the Company became the first certified steel enterprise in China approved for using 90mm thick crack arrest steel for container vessels, therefore achieving full coverage of design specifications of crack arrest steel for large container vessels, and realizing domestic production of crack arrest steel which fully replaces imports. The Company succeeded for the first time in the mass production of ultra-thin wide-format low-alloy steel plate for cars with thickness of 2.0 mm and width of 1,500 mm. The Company successfully developed high-carbon steel SK85 for spring-assisted cutting tools with carbon content of 0.85%, which replaced imports and seized the high-end cutting tools market, therefore helped promote the Company's product restructuring and upgrading. Faced with the downturn of the domestic steel pipe and tube market, the Company took the initiative to tap the international market by engaging in in-depth technological exchange with users in Pakistan to develop and produce X70M steel pipes and tubes. Alloy cold heading steel products were also sold into global markets.

(4) Creating an integrated marketing system to improve marketing services

The Company had adopted innovative marketing methods by implementing vertical marketing and creating sales platforms, service points of sale and direct sales experience. Centralized resources and coordinated policies enhanced the influence and control of our products' leading position in the market. An integrated marketing system was created by implementing brand marketing, technical marketing, service marketing and cultural marketing initiatives which helped transform the Company from a manufacturer to a comprehensive service provider providing customers with excellent services.

The Company strived to provide customers with customized ordering service and shorten the delivery time. Through regular visits and signing a memorandum of understanding for cooperation with users, the Company better understood the individual needs of users and came up with customized design to establish customized product standards and services, thereby enhancing customer satisfaction and dependence in maintaining stable customer channels.

Seizing market opportunities in different market conditions, the Company conducted extensive market research in various forms and channels and adopted a flexible pricing policy to ensure maximum benefits for the Company. The Company vigorously developed new markets and optimized its distribution channels, which helped transform its customer base to include more direct supply customers. In the first half of the year, the Company's ratio of sales to direct supply customers reached 73%.

Through strengthening brand image, Angang's steel bridge plate became the preferred choice for major bridge projects domestically and abroad. The Company successfully won the tenders for a series of world-class bridges, such as Hutong Railway Yangtze River Bridge, Bangladesh's Padma Bridge, Wuhu No. 2 Bridge, Humen No. 2 Bridge, Mozambique's Maputo-Catembe Bridge and Shenzhen-Maoming Railway Tanjiang Bridge. In particular, for the first time the Company's Q500qE steel plates were used in the Hutong Railway Yangtze River Bridge, a highway-railway bridge with the largest span in the world, making the Company the pioneering enterprise in the production of bridge steel plates. Angang successfully won the order for supplying 10,800 tonnes of 800Mpa grade hydropower steel for the Three Gorges Baihetan hydropower station project. Angang's container steel was the successful bidder for the Sri Lanka LPG receiving station's stage one tank project, thereby immensely enhancing the market position of Angang's container steel in tank steel.

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

The Company consolidated and broadened its existing financing channels in order to ensure there will be sufficient sources of capital. The Company also enhanced its scope of cooperation with financial institutions and ensured smooth financing channels, thus achieving timely repayment of borrowings. The Company continued to develop its documentary letter of credit payment business. During the first half of the year, the Company issued letters of credit of RMB1,280 million. In addition, the Company facilitated the development of bulk raw material bill payment business and promoted the guaranteed discounting for commercial acceptance bills. During the first half of the year, the Company issued bills of RMB2,550 million, of which commercial acceptance bills amounted to RMB370 million. The Company re-launched the import trade financing business, and such business amounted to RMB180 million in June.

The Company strengthened its foreign exchange risk management and control. To avoid the risks brought about by US dollar exchange rate fluctuations, in the first half of the year, the Company made repayment of borrowings due in the amount of USD130 million and locked in the exchange rate for USD150 million held, such that exchange rate fluctuation risk was in a controllable range.

(6) *Accelerating the implementation of environmental protection projects to achieve the goals of the Blue Sky Project*

In the first half of the year, the total discharge of pollutants of various types was lower than the national standards, and the Company achieved the set target of zero environmental pollution incident.

The Xidagou wastewater treatment project, Bayuquan sintering machine electrostatic precipitator environmental transformation project, the Company's West Iron Plant sintering machine electrostatic precipitator environmental transformation project and other environmental projects achieved their set targets.

4. ***Liquidity and Financial Resources***

As of 30 June 2016, the Group had long-term borrowings of RMB1,424 million (exclusive of loans due within one year) with interest rates ranging from 4.2892% to 6.4% per annum. With terms of 3 to 25 years, the loans will expire 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 RMB147 million.

In 2016, 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". The Group is capable of repaying its debts when they become due.

As of 30 June 2016, the Group had a capital commitment of RMB1,666 million, which was primarily attributable to construction and renovation contracts and external investment contracts which were entered into but not performed or not fully 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.

Foreign currency-denominated borrowings held by the Group amounted to USD270 million, in respect of which the foreign exchange risk depended on the foreign exchange rate of RMB to USD. In the first half of 2016, due to the changes in exchange rate of RMB to USD, the Company incurred an exchange loss of RMB33 million

6. ***Gearing Ratio***

As of 30 June 2016, the Group's ratio of equity to liability was 1.02 times and the figure was 0.97 times as at 31 December 2015.

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

8. ***Contingent Liabilities***

As of 30 June 2016, the Group had no contingent liabilities.

(III) COMPOSITION OF THE PRINCIPAL BUSINESSES

Principal businesses of the Group by industry and product

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 costs 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	25,374	22,164	12.65	-12.38	-12.65	0.27
By product						
Hot-rolled sheets products	7,753	6,578	15.16	-16.68	-24.64	8.97
Cold-rolled sheets products	9,063	7,945	12.34	-9.73	-4.64	-4.67
Medium-thick plates	3,429	3,241	5.48	-19.22	-10.44	-9.27
By geographical location						
China	23,298	20,062	13.89	-6.67	-7.24	0.53
Export sales	2,076	2,102	-1.25	-48.05	-43.89	-7.51

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 lower product prices. The decrease in operating costs was primarily due to (i) further increased market analysis to understand market trends which enabled timely procurements at lower costs; (ii) continuous attempts to uncover internal potential and systematic cost control which resulted in significant decrease in production costs; and (iii) increased and refined cost management which significantly reduced fees and expenses.

(IV) BUSINESS PLAN FOR THE SECOND HALF OF 2016

1. Stabilize iron smelting operation, create room for development. Centering on its iron smelting operation, the Company will stabilize its production procedures in order to achieve stable, efficient and low-energy consumption operation.

2. Improve quality, strengthen foundation. The Company will continue to improve its quality management standard, and optimize its quality management system, accountability system and evaluation system.

3. Closely monitor market trend, seizing opportunities as they arise. The Company will establish innovative sales models, actively adjust marketing strategies and promote direct sale in eastern and northern China. The Company will expand into the eastern and southern China markets, thereby increasing its market share.

4. Implement accountability mechanism, improve efficiency. The Company will implement in-depth management and control, and continue to facilitate the enhancement of system operating efficiency.

5. Avoid risk exposures, maintain stable operation. The Company will remain committed to risk prevention, and establish long-term effective production safety mechanism. It will also strive to ensure security of funds and maintain stable operation.

6. Leverage on innovative operation, seek for development opportunities. Aiming to achieve full coverage of different products, the Company will promote the testing and application of new products, and increase the proportion of new products and unique leading products.

(V) ANALYSIS ON THE CORE COMPETITIVENESS

There had been no change in the core competitiveness of the Company in the first half of 2016.

(VI) ANALYSIS OF INVESTMENTS

1. External equity investments

(1) The Company did not have any external investment during the Reporting Period.

(2) Equity interest held by the Company in financial enterprises

Company name	Company type	Initial investment cost *(RMB million)*	Number of shares held at the beginning of the Reporting Period *(shares)*	Shareholding percentage at the beginning of the Reporting Period *(%)*	Number of shares held at the end of the Reporting Period *(shares)*	Shareholding percentage at the end of the Reporting Period *(%)*	Book value at the end of the Reporting Period *(RMB million)*	Profit or loss during the Reporting Period *(RMB million)*	Accounting item	Source of share
Angang Financial Company	–	315	–	20	–	20	1,305	60	Long-term equity investment	Subscription for new issuance

(3) Securities investment

Stock type	Stock code	Abbreviation	Initial investment *(RMB million)*	Number of shares held at the beginning of the Reporting Period *(million shares)*	Shareholding percentage at the beginning of the Reporting Period *(%)*	Number of shares held at the end of the Reporting Period *(million shares)*	Shareholding percentage at the end of the Reporting Period *(%)*	Book value at the end of the Reporting Period *(RMB million)*	Profit or loss during the Reporting Period *(RMB million)*	Accounting item	Source of share
Share	600961	Zhuzhou Group (株冶集團)	81	5	0.88	5	0.88	47	–	Available for sale financial assets	Private placement

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 derivatives investment	Date of commencement	Date of termination	Investments at the beginning of the period	Purchase amount during the Reporting Period	Disposal amount during the Reporting 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	Futures investment	1	29 April 2015	–	26	1,703	1,619	0	105	0.24%	-1
Total				1	–	–	26	1,703	1,619	0	105	0.24%	-1

Source of funds for derivatives investments	Self-owned funds.
Litigation (if applicable)	None.
Date of the announcement disclosing the approval of derivatives investment by the Board	On 4 July 2016, the resolution in relation to the Company's carrying out the business of hedging with commodity futures in 2016 was approved at the second meeting of the Seventh 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 intricately linked with spot commodity operated by the Company. Although the Company makes regular analysis and estimation on the market, 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 sufficient liquidity, there is no liquidity risk. (3) The Futures Exchange provides credit guarantee for the category of position held, thus credit risk is minimal. (4) The Company carries out such business in strict compliance with the relevant requirements of hedging, and total position held and duration are in line with the Company's approval. The Company has performed assessment of relevant legal risks. Business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and accordingly, 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 dominant contract settlement prices of deformed bar quoted on the Shanghai Futures Exchange, and dominant contract settlement prices of coking coal and iron ore quoted on the Dalian Commodity Exchange, on 4 January 2016, dominant contract settlement prices of deformed bar, hot-rolled coil, coking coal and iron ore were RMB1,797/tonne, RMB1,949/tonne, RMB559.5/tonne and RMB323.5/tonne, respectively; on 30 June 2016, dominant contract settlement prices of deformed bar, hot-rolled coil, coking coal and iron ore were RMB2,295/tonne, RMB2,467/tonne, RMB718/tonne and RMB424/tonne, respectively, representing an increase of RMB498/tonne, RMB518/tonne, RMB158.5/tonne and RMB100.5/tonne, respectively, as compared with that at 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 the last reporting period	N/A.

Specific opinions of independent Directors on the derivatives investment and risk control of the Company	(1) The Company utilized self-owned capital for the development of futures hedging business under its assurance of its normal production and operation, and performed related approval procedures in compliance with relevant requirements of the relevant laws, regulations and the articles of association of the Company, 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 the Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and clarified internal control procedures such as the business operation procedures, approval process and risks prevention and control, thereby providing assurance for the Company's control of hedging-related risks. (3) The Company confirmed that the maximum amount and the types of products for trading under the annual hedging guarantees were reasonable and in line with the actual situation of production and operation of the Company, and thus, favorable to 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 joint 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	1,940	1,379	2,146	345	290
Angang Financial Company	Limited liability company	Finance	Deposit, lending and financing	2,000	20,031	6,549	546	403	302

5. *Material projects of non-financing investment*

Not applicable.

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

On 8 June 2016, the 2015 annual general meeting of the Company was held in Anshan to consider and approve the profit distribution proposal for the year of 2015. Since the Company had 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 did not distribute dividend or convert capital surplus into share capital for the year of 2015.

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

(IX) Employees

As of 30 June 2016, the Company had 37,079 employees, amongst whom 26,281 were production personnel, 368 were sales personnel, 4,361 were technicians, 285 were accounting personnel and 1,074 were administration personnel. Among the employees of the Company, 8,968 had bachelor's degree or higher, representing 24.19% of the total number of employees; 9,649 employees held diploma, representing 26.02% of the total number of employees and 16,817 employees held certificates of secondary education, representing 45.35% of the total number of employees.

In the first half of 2016, the Company provided training from various points and implemented the training at different levels, focusing on key areas. From intensive training to self-learning, a multi-faceted training network was established and the effect of employees training was significantly enhanced.

In the first half of the year, 19,328 persons attended and completed centralized training courses, amongst which 533 senior management attended training on 兩學一做 (Two Studies One Act), political theory and strategic management, and 1,005 management and professional technical staff attended trainings on management knowledge, computer, English, technical training and human resources. 654 highly-skilled personnel attended trainings on the capability of innovation. 439 production staff attended trainings on technical grades and equipment inspection. 4,177 persons attended trainings on specialized operation security qualifications, while 1,176 persons attended trainings on team and group security and intellectual property. 10,437 staff members completed training on on-the-job knowledge. 907 staff members completed training by self-learning.

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-sharing incentives of profit from newly-developed products for 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 2016, neither the Company nor any of its subsidiaries has 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 specific enquiries with all Directors, the Directors have confirmed that they have 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 had been in compliance with Rule 3.10(1) of the Hong Kong Listing Rules, which requires a company to maintain at least three independent non-executive directors, and Rule 3.10(2) of the Hong Kong Listing Rules, which requires one of the independent non-executive directors to possess professional qualifications or accounting or related financial management expertise.

(XIII) Audit Committee

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Hong Kong Listing Rules.

The Audit Committee and the management have reviewed the accounting standards, principles and measurements adopted by the Company, and considered the interim financial report in relation to audit, internal control and the unaudited interim financial information for the six months ended 30 June 2016.

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 China Securities Regulatory Commission (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. There is no difference between the Company's corporate governance practice and the Company Law and the relevant requirements of the CSRC.

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 return for the shareholders in the long term.

The Company has adopted the code provisions of the Corporate Governance Code (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 complied with all Code Provisions during the Reporting Period:

(1) According to 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 2016.

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, which has lowered the legal risks to the 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 chairman of the Company did not attend the annual general meeting of the Company due to other business commitments 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 purchase any asset.

2. During the Reporting Period, the Company did not dispose of any asset.

3. Business mergers

Nil.

(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: Cash payment

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap approved *(RMB million)*	Whether the transaction cap is exceeded	Possible market prices of similar transactions
Procurement of principal raw materials from the related party	Iron concentrate	Not higher than the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the preceding month (T-1)* plus the freight cost from Bayuquan port to Angang Steel. Price increase or reduction for grades shall be made to the price of each iron content calculated based on the average value of Platts Fe 65% index for the preceding month (T-1)*. Using this as the basis, a discount equal to 3% of the average value of Platts Fe 65% index for the preceding month (T-1)* shall be applied.	RMB374/ tonne	1,879	58.73	–	–	RMB413/ tonne
	Pellet	Market price	RMB491/ tonne	1,097	100.00	–	–	RMB514/ tonne
	Sinter ore	The price of iron concentrate plus processing cost in the preceding month (T–1)*, the processing cost of which should not be higher than that of similar products produced by Angang Steel.	RMB432/ tonne	641	100.00	–	–	–

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap approved *(RMB million)*	Whether the transaction cap is exceeded	Possible market prices of similar transactions
	Karara mineral products	Premium products (iron grade≥ 67.2%): Not higher than the average price of such product sold to independent third parties in Mainland China for the corresponding period (i.e. the month of shipment). The sales volume of premium products made by Karara to independent third parties in Mainland China shall not be less than 30% of the total sales volume of premium products of Karara for a given period. Standard grade products (67.2%>iron grade≥65%):The price is calculated based on the average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the loading port plus the freight cost differential for each dry metric tonne from Qingdao port to Bayuquan port, Liaoning, divided by 65 and multiplied by the actual product grade. Low grade products (65%>iron grade≥59%): The price is calculated based on the average value of the medium price of Platts Fe 62% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the loading port plus the freight cost differential for each dry metric tonne from Qingdao port to Bayuquan port, Liaoning, divided by 62 and multiplied by the actual product grade.	RMB332/ tonne	130	100.00	–	–	RMB405 /tonne
	Scrap steel	Market price	–	101	30.91	–	–	–
	Steel billets		–	25	95.16	–	–	
	Alloy and non-ferrous metal		–	28	2.37	–	–	
	Sub–total	–	–	3,901	60.48	18,300	No	–

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap approved *(RMB million)*	Whether the transaction cap is exceeded	Possible market prices of similar transactions
Procurement of energy and power from the related party	Electricity	State price	RMB0.43/ Kwh	849	38.60	–	–	RMB0.53/ Kwh
	Water	State price	RMB2.10/ tonne	20	31.34	–	–	RMB3.19/ tonne
	Steam	Cost of production plus gross profit margin of 5%	RMB50/GJ	6	100.00	–	–	–
	Sub–total	–		875	38.55	2,500	No	
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	RMB62/ tonne	90	76.18	–	–	–
	Lime powder		RMB422/ tonne	336	93.80	–	–	–
	Refractory materials		–	43	11.94	–	–	–
	Spare parts			83	13.07	–	–	–
	Other ancillary materials		–	115	14.19	–	–	–
	Sub–total	–	–	667	29.29	2,815	No	–
Purchase of support services from the related party	Railway transportation services	State price	–	232	52.48	–	–	–
	Road transportation services	Market price	–	278	90.00	–	–	–
	Pipeline transportation services			25	100.00	–	–	–

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether the transaction cap is exceeded	Possible market prices of similar transactions
	Agency services: –Import of raw materials, equipment, spare parts and ancillary materials –Export of finished products –Bidding and invitations for tenders	A commission of not higher than 1.5% (not to exceed the commission charged by major state-owned import and export companies in the PRC).	–	40	100.00	–	–	–
	Examination, repair and maintenance of equipment and other relevant services	Market price	–	128	38.29	–	–	–
	Design and engineering services	Market price	–	162	79.61	–	–	–
	Educational facilities, occupational technical education, on-the-job training and translation services	Market price	–	0.1	41.78	–	–	–
	Newspapers and other publications	State price	–	0.1	74.36	–	–	–
	Telecommunications business, telecommunications services and information systems	State price or the sum of depreciation expenses and maintenance fees	–	8	70.46	–	–	–
	Production support and maintenance	Costs of labor, materials and management fees as paid according to their market price	–	329	62.92	–	–	–

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap approved *(RMB million)*	Whether the transaction cap is exceeded	Possible market prices of similar transactions
	Welfare support and maintenance	Costs of labor, materials and management fees as paid according to their market price	–	103	85.33	–	–	–
	Employee transportation		–	0.8	94.16	–	–	
	Environmental protection and security monitoring	State price	–	1	87.42	–	–	–
	Business reception and meetings	Market price	–	0.7	55.06	–	–	–
	Heating supply	State price	–	0.02	0.15	–	–	–
	Landscape services	Costs of labor, materials and management fees as paid according to their market price	–	6	100.00	–	–	–
	Port agency services		–	102	100.00	–	–	
	Sub–total	–	–	1,416	69.58	5,500	No	–
Buyout of steel products from related party	Steel products	Determined based on the price sold to third parties from Angang Steel deducting a commission of RMB20–35/tonne	–	–	–	500	No	–
Sale of goods to the related party	Steel products	The selling price charged by Angang Steel Group to the independent third parties; for provision of the aforesaid products for the development of new products by the counterparty, the price is based on the market price if market price exists; if 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.	RMB2,822/ tonne	277	1.20	–	–	–
	Molten iron		–	17	100.00	–	–	–
	Billets		–	74	45.98	–	–	–
	Coke		RMB379/ tonne	7	21.14	–	–	–
	Chemical by–products		–	17	2.80	–	–	–
	Sub–total	–	–	392	1.65	4,810	No	–

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether the transaction cap is exceeded	Possible market prices of similar transactions
Sale of scrap steel and obsolete material to the related party	Scrap steel	Market price	–	86	74.88	–	–	–
	Obsolete material		–	7	64.32	–	–	–
	Sub–total	–	–	93	73.92	280	No	–
Provision of comprehensive services to the related party	Fresh water	State price	RMB3.19/ tonne	26	98.67	–	–	RMB3.19/ tonne
	Clean recycled water	Market price or production cost plus a gross profit margin of not lower than 5%	RMB0.73/ tonne	9	59.91	–	–	–
	Soft water		RMB4.90/ tonne	0.05	6.69	–	–	–
	Gas		RMB44.74/ GJ	240	86.73	–	–	–
	Blast furnace gas		RMB20.00/GJ	147	99.89	–	–	–
	Steam		RMB52.00/GJ	14	66.37	–	–	RMB52.00/GJ
	Nitrogen		RMB200.00/ km^3	1	38.25	–	–	–
	Oxygen		RMB499.46/ km^3	0.5	71.12	–	–	–
	Argon		RMB1,000.00/ km^3	0.2	95.48	–	–	–
	Compressed air		RMB106.10/ km^3	0.3	69.04	–	–	–

Type	Details	Pricing principle	Price *(RMB)*	Transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap approved *(RMB million)*	Whether the transaction cap is exceeded	Possible market prices of similar transactions
	Used hot water		RMB27.67/GJ	36	93.65	–	–	RMB27.43/GJ
	Liquefied nitrogen		RMB292.00/ tonne	3	96.18	–	–	RMB292.00/ tonne
	Liquefied oxygen		RMB288.84/ tonne	4	96.03	–	–	RMB288.84/ tonne
	Liquefied argon		RMB455.78/ tonne	2	97.18	–	–	RMB455.78/ tonne
	Product testing services	Market price	–	2	93.20	–	–	–
	Transportation services		–	0.5	98.87	–	–	–
	Sub–total		–	486	56.56	1,270	No	–
Relevant explanation on 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 the supply chain of the Company. In the meantime, its 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, obsolete steel, obsolete 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: Cash payment

<table>
<tr><th>Type</th><th>Details</th><th>Pricing principle</th><th>Price</th><th>Transaction amount (RMB million)</th><th>As a percentage of similar transaction amount (%)</th><th>Transaction cap approved (RMB million)</th><th>Whether the transaction cap is exceeded</th></tr>
<tr><td rowspan="4">Financial services provided to the Company by the related party</td><td>Interest on settlement fund deposits</td><td>Prescribed annual interest rate for deposits promulgated by the People’s Bank of China</td><td>–</td><td>7</td><td>30.75</td><td>50</td><td>No</td></tr>
<tr><td>Maximum daily balance of deposit (including accrued interests)</td><td>–</td><td>–</td><td>1,988</td><td>–</td><td>2,000</td><td>No</td></tr>
<tr><td>Interest payable on credit business</td><td rowspan="2">Not higher than the interest rate obtained by the Group from commercial banks during the same period</td><td>–</td><td>7</td><td>1.06</td><td>150</td><td>No</td></tr>
<tr><td>Interest payable on entrusted loans</td><td></td><td>13</td><td>100.00</td><td>100</td><td>No</td></tr>
<tr><td>Relevant explanation on connected transactions</td><td colspan="7">The Company utilizes the free settlement platform provided by Angang Financial Company and deposits a part of its saving for the use of daily settlement in order to improve the operational efficiency of capital settlement of the Company. Meanwhile, the Company can also acquire a financing channel from Angang Financial Company to provide safe protection for the capital of the Company.

The Company has carried out strict budget control for the capital settlement in Angang Financial Company and, through online financial service system (i.e. N9 System) implemented monthly budget control, weekly expenditure plan, and daily implementation breakdown in accordance with the capital expenditure item. Each capital expenditure shall have a corresponding budget limit and weekly expenditure plan to ensure the security of the use of the Company’s capital settlement.

According to the Financial Service Agreement entered into between the Company and Angang Financial Company, the Company set up an alert system for the maximum daily deposit in the N9 System. When the deposit balance reaches 80% of the limit, the N9 System will alert the Company. The department in charge will adjust the deposit amount in a timely manner in accordance with the collection and payment plan of the period.</td></tr>
</table>

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: Cash payment

Type	Details	Pricing principle	Price (RMB)	Transaction amount (RMB million)	As a percentage of similar transaction amount (%)	Transaction cap approved (RMB million)	Whether the transaction cap is exceeded	Market price of similar transactions available in the market
Purchase of raw materials from the related party	Iron concentrate	Not higher than the average of daily midpoint of Platts Fe 62% CFR North China (Qingdao port) issued by the SBB Steel Markets Daily Briefing in the month (T-1)* plus the transportation cost from Bayuquan Port to Angang Steel as well as adjustment subject to the price for iron concentrate with different iron content level calculated based on the average of Platts 65% index in the month (T-1)*. A discount equal to 3% of the average of Platts 65% index in the month (T-1)* was granted on such basis	RMB374/ tonne	481	14.45	–	–	RMB413/ tonne
	Alloy	Market price	–	17	1.50	–	–	–
	Total		–	498	11.10	1,780	No	–
Relevant explanation on 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 in obtaining continuous and stable supply of raw materials.							

2. ***During the Reporting Period, the Company did not conduct any connected transaction of assets acquisition and disposal.***

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 2016, bank borrowings of RMB51 million were guaranteed by Angang Holding whereas bank borrowings of RMB1,000 million were guaranteed by Angang Group Company.

(VI) Material Contracts and Their Performance

1. ***Entrustment, contracting and leasing matters***

(1) Entrustment

The Supply of Materials and Services Agreement (2016–2018) entered into between the Company and Angang Group Company was approved at the 2015 second extraordinary general meeting of the Company held on 12 October 2015. On 22 October 2015, the Company and Angang Group Company entered into the Asset and Business Entrustment and Management Service Agreement, which is the specific agreement in relation to execution pursuant to the approved Supply of Materials and Services Agreement (2016–2018). Pursuant to the Asset and Business Entrustment and Management Service Agreement, Angang Group Company authorized the Company to conduct daily operation and management over the assets, businesses, future assets and business expansion of its unlisted controlling subsidiaries.

During the Reporting Period, there was no entrusted project which generated profit of more than 10% of the gross profit of the Company for the Reporting Period.

(2) Contracting

The Company did not enter into any contracting agreement during the Reporting Period.

(3) Leasing

The Company did not enter into any leasing agreement during the Reporting Period.

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

3. ***The Company did not enter into any other material agreement during the Reporting Period.***

4. ***The Company did not entrust financial management during the Reporting Period.***

(VII) Undertakings by the Company or shareholders with shareholding of 5% or more during or which subsisted during the Reporting Period

	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Industry competition commitments	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》): (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 competes with the iron and steel business, the principal business of the Company.	20 May 2007	Indefinite	There was no breach of such undertaking

Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
		(3) Angang Holding undertakes that the Company is entitled to the pre-emptive 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 pre-emptive 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.			

Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
		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 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 necessary for 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 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:			

Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
		(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 competition with the Company before the date of the issuance of the undertaking letter.			

	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Other commitments made to minority shareholders	Angang Group Company	Commitments of concerted actions of shareholders	Angang Group Company and persons acting in concert do not reduce their shareholding in the Company for six months from the date of commitment.	15 July 2015	6 months	There was no breach of such undertaking
Whether the commitments are fulfilled on time	Yes					

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

Anshan City, Liaoning Province, the PRC
29 August 2016

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

Executive Directors:

Yao Lin
Wang Yidong
Li Zhongwu
Zhang Jingfan

Independent Non-executive Directors:

Wu Dajun
Ma Weiguo
Luo Yucheng

* *For identification purposes only*