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 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB57,882 million
- Total profit amounted to RMB1,620 million
- Net profit attributable to shareholders of the Company amounted to RMB1,616 million
- Basic earnings per share amounted to RMB0.223 (2015: basic losses per share amounted to RMB0.635)
- 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 and Macau Special Administrative Region)

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PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Unit: RMB million

Items	**2016**	2015	Changes over the preceding year *(%)*	2014
Operating income	**57,882**	52,759	9.71	74,046
Operating profit	**1,591**	-3,873	141.08	1,565
Total profit	**1,620**	-3,763	143.05	1,579
Net profit attributable to shareholders of the Company	**1,616**	-4,593	135.18	928
Net profit attributable to shareholders of the Company after extraordinary items	**1,594**	-4,675	134.10	917
Net cash flow from operating activities	**4,349**	5,137	-15.34	2,137
Basic earnings per share *(RMB/share)*	**0.223**	-0.635	135.12	0.128
Diluted earnings per share *(RMB/share)*	**0.223**	-0.635	135.12	0.128
Weighted average return on net assets *(%)*	**3.67**	-10.06	Increased by 13.73 percentage points	1.96

Items	**At the end of 2016**	At the end of 2015	Changes over the preceding year *(%)*	At the end of 2014
Total assets	**88,069**	88,596	-0.59	91,291
Total liabilities	**42,781**	44,915	-4.75	43,095
Owner's equity attributable to shareholders of the Company	**44,882**	43,274	3.72	47,793
Net assets per share attributable to shareholders of the Company *(RMB/share)*	**6.20**	5.98	3.68	6.61
Assets-liability ratio *(%)*	**48.58**	50.70	Decreased by 2.12 percentage points	47.21
Total share capital	**7,235**	7,235	–	7,235

Is there any corporate bond?

☐ Yes ☑ No

MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB million

	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Operating income	11,274	14,156	15,609	16,843
Net profit attributable to shareholders of the Company	-615	915	677	639
Net profit attributable to shareholders of the Company after extraordinary items	-616	891	662	657
Net cash flow from operating activities	-1,385	2,824	1,900	1,010

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

Unit: RMB million

Items of Non-Recurring Gains and Losses	**2016**	2015	2014
1. Gains/losses from disposal of non-current assets	**-15**	-17	-81
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	**40**	128	101
3. Other non-operating revenue and expenses except those mentioned above	**4**	-1	-6
4. Effect on taxation	**-7**	-28	-3
Total	**22**	82	11

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

OPERATING RESULTS FOR 2016

The Group recorded a net profit attributable to shareholders of the Company of RMB1,616 million and basic earnings per share of RMB0.223 for the year ended 31 December 2016 as compared to 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.

DIVIDEND DISTRIBUTION

On the basis of the total share capital of 7,234,807,847 shares, the Board proposes to distribute cash dividend of RMB0.067 per share (tax inclusive) to shareholders for the year 2016, amounting to RMB485 million of the distributable profits. Upon implementing such proposal, the balance of distributable profits will be RMB1,999 million. This proposal shall be subject to consideration and approval by shareholders at the annual general meeting. It is expected that dividends will be distributed on or around 30 June 2017.

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

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

BUSINESS REVIEW

In 2016, leveraging the opportunities arising from the recovery of the steel market and adhering to the principle of "efficiency as priority and focus on quality improvement", the Company increased the production and sales of high efficiency products, explored its internal potential, and continued to reduce costs and enhance efficiency. It also strengthened its technology innovation in order to create unique and leading-edge products, and put greater efforts into developing customized products. Thus, the Company recorded better operating results.

(1) Optimizing the management and control of production to stabilize scale efficiency

In 2016, in accordance with the principle of "steady and smooth operations, management of scale, growth in product portfolio, and focus on efficiency" (抓穩順、控規模、保品種、重效率), the Company focused on key areas, optimized production order, and refined production departments in all aspects and throughout the whole production process.

During the Reporting Period, the Group produced 21.8326 million tons of iron, representing an increase of 5.01% as compared with the previous year; 21.8184 million tons of steel, representing an increase of 6.40% as compared with the previous year; and 19.8572 million tons of rolled steel, representing an increase of 4.91% as compared with the previous year. Sale of rolled steel amounted to 19.9425 million tons, representing an increase of 4.40% as compared with the previous year. The Group achieved a sales-output ratio of 100.43%.

(2) Facilitating system cost reduction as to continue to exploit potential and increase efficiency

Adhering to the target of "discovering problems, focusing on projects and improving efficiency", the Company identified system cost reduction objectives in 48 task areas based on nine work themes, and facilitated the whole-process optimization for iron element flow and energy flow. Technology and economic indicators continued to improve. Among 31 major technology and economic indicators of the Company, Anshan Headquarters recorded historical high in 7 indicators, while Bayuquan Branch Company recorded historical high in 6 indicators. Energy costs continued to decline. Centering on increasing recycled waste heat and surplus energy generation, improving recycle of converter gas and lowering of power procurement costs, the Company continued to facilitate cost reduction and efficiency enhancement, thus significantly reducing the expenses for external energy procurement.

The Company put greater efforts into raw materials procurement. Through establishing simulated cost estimation model for steel plants, the Company accurately identified market trends, with significant decline in market differentiation bulk procurement costs for raw materials.

The Company reduced costs and increased efficiency through implementation of various basic supportive measures. By strengthening logistic support, the capacity of logistics supply chain integration service was fully enhanced. The Company actively promoted logistics informatization, with delivery warehouse system in different logistic parks fully launched and operated. The Company also strengthened its protective measures for facilities, and facilitated the replacement of old spare parts with new ones. During the year, there was significant decline in equipment and materials procurement.

(3) Exploring new markets and enhancing marketing services

The Company facilitated the implementation of strategies in core sales area in Northeastern China, and optimized its regional marketing layout. It had established 100 direct stores and sale outlets in Northeastern China. The Company continued to classify the addresses and files of direct sale customers, and visited 1,852 direct sale enterprises.

The Company exploited the actual and potential demands of its clients, closely monitored demand and supply relationship, and enhanced its marketing services. On the basis of maintaining stable strategic direct sale channels, the Company strived to explore potential customers, and promptly responsed to clients' demand. During the year, the Company had 150 new direct sale customers, accounting for 66.7% of domestic direct sales.

In respect of marketing system of regional sale companies, the Company implemented innovative reform. Fully leveraging edges of front-line services from regional sale network, processing, delivery and spot sale, the Company maintained close connection and communication with its customers, expanded scope of services, as well as enhanced tailor-made services, and thus, influence of regional sale companies as the bridgehead was increasing gradually.

Marketing informatization made a huge progress. The ERP production and sale system, marketing platform of branch companies and e-commerce spot sale platform continued to optimize. Orders from spot platform amounted to 1.3176 million tons, with accumulated sale of RMB3.714 billion. Futures online order has basically implemented.

The Company coordinated domestic and overseas markets, timely adjusted its export strategy, and stabilized export channels. Annual amount of export and settled rolled steel amounted to 2.1136 million tons, representing a decrease of 26.26% as compared with the corresponding period of the previous year.

(4) Improving product quality and facilitating R&D for new products

The Company staunchly followed the path of pursuing high quality with differentiation, specialty and professionalization, established the portfolio of "steel type + market connection + user service + innovative R&D", and continued to meet the demands for customized production. The Company promoted new product development towards steel type with high efficiency and high technology, optimized project approval channels, and facilitated implementation of research results. In respect of product approval, 66 new products were approved, 339 new product development agreements were entered into and 58 new products were examined.

In 2016, the Company succeeded in using large steel ingots to produce 16MND5 voltage stabilizer steel plates for nuclear-grade 1 equipment, which had obtained the accreditation certificate from China General Nuclear Power Corporation and were successful in producing and supplying the regulator steel plates for Yangjiang No. 6 unit voltage stabilizer. The Company was also successful in developing the steel plates 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 replaced imports. The Company succeeded for the first time in the mass production of ultra-thin wide-format low-alloy steel plates 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 helping promote the Company's product restructuring and upgrading. The Company won the exclusive tender of 9Ni steel sheets supply contract for Putian LNG storage tank of CNOOC, thus realizing replacement of imported goods with domestic produced 9Ni steel for CNOOC system.

(5) Focusing on R&D for key projects and deepening research efficiency improvement

The Company organized and completed the registration for 20 projects under national "13th Five-Year Plan" special technology guideline, including the "high-strength steel for pipelines under low temperature and high pressure". The Company also undertook and completed 19 national and Angang Group key R&D projects, including the "3G steel plates used for the safety vessel of nuclear reactor". 13 R&D results, including the "development of core technology for cool silicon steel edges thinning management and its industrial application", won scientific technology awards from provincial and industry organizations.

Through implementing various measures, new breakthrough had been made with the implementation of technologies. In respect of the "research on key technology of high-strength thick pipelines for undersea high pressure oil and gas pipeline delivery" under the National 863 Program, the Company completed the trail production of thick steel pipelines with maximum diameter of Φ1016mm. Such technology results had been certified by the Ministry of Science and Technology and CNPC. In respect of the "research on application of vessel-use corrosion-resistant steel technology based on IMO standards" under the National Program, the Company completed the 2.5-year evaluation on the first domestic demonstrative oil tanker. The corrosion resistance rate for corrosion-resistant steel was 3 folds higher than that of ordinary steel. In respect of the "research and production technology development for high-manganese high-toughness moderate thickness plates for marine platform and titanium/steel composite plates" under the National Program, the first round of industrial trial production had completed, achieving a breakthrough in key production technology in whole-procedure smelting, continuous rolling and heat treatment of high-manganese high-toughness moderate thickness plates for marine platform. For titanium and steel composite plates, 2 rounds of trial production for composite steel plates had completed, and produced rolling titanium and steel composite plates. In respect of the "3G steel plates used for the safety vessel of nuclear reactor" under the National Program, the Company completed the production and delivery of 130mm SA-738Gr.B standardized steel plates, showing a milestone of extending the thickness of the product to 6–130mm. It also completed the supply of SA-738Gr.B steel plates used for the safety vessel of phase II nuclear project in Haiyang. In respect of the key research theme of "abrasion-resistant series and its application", the Company adopted special heat treatment and control technology in the trial production of 5–9 mm NM400-NM600 steel plate module, which was close to the imported HARDOX steel plate standard. In respect of the key research theme of "research on production technology for high quality industrial-use pure iron", the Company developed industrial-use pure iron with purity of over 99.90% under various brand, meeting the industry leading standard with annual production capacity of over 60,000 tons.

The Company facilitated the reform of R&D institutions and established Angang Technology Development Co., Ltd. (鞍鋼科技發展有限公司). It also explored the operation of technology innovation contract system and discovered efficiency-enhancement mechanisms, thereby improving technology innovation and efficiency enhancement capability, facilitating implementation of technology results, maximizing R&D edges and firing up the creativity and vitality of technical staff.

(6) Strengthening financial support as to lower capital risk

The Company strengthened its existing financing channels and stabilized fund foundation. Meanwhile, the Company explored innovative financing methods and expanded its fund sources. Through expanding its scope of cooperation with financial institutions, the Company successfully completed the issuance of the first tranche medium-term notes of RMB4.0 billion in China, which provided support for the capital requirement of the Company and lowered capital costs effectively. The successful issuance of medium-term notes enriched the debt financing instrument system in China. At the same time, the Company could obtain long-term capital support at low costs through the innovative medium-term note proposal.

The Company strengthened its management over foreign capitals as to avoid foreign exchange risk. To avoid risks arising from US dollar exchange rate fluctuation, the Company made repayment of borrowings due in the amount of USD130 million, and locked in the exchange rate for USD150 million stock loans held, such that exchange rate fluctuation risk was in a controllable range.

(7) Adhering to green development and creating harmony environment

The Company fully facilitated the construction of the Xidagou wastewater treatment project. Environmental projects, including sintering machine electrostatic precipitator transformation project, coke oven gas desulphurization and decyanation facilities and closure of eight sub-stock grounds, had completed, which contributed to the improvement of air quality in urban area. The Company fully facilitated the environmental evaluation and completion check for construction projects. All new construction projects had obtained environmental approvals in accordance with the laws. Moreover, the Company had fully completed the total emission reduction mission under the "12th Five-Year Plan".

The Company achieved excellent results in pollutant reduction. As compared with the prior year, emissions of sulfur dioxide, nitric oxide, particulate matter and water discharged (per ton steel) were reduced by 26.7%, 26.8%, 12.5% and 1.7%, respectively.

Our environment management system continued to improve and successfully passed the third party approval. The Company further optimized different functions under the comprehensive environment information management platform, which greatly enhanced the management standard for environment protection informatization. The exterior appearances of plants continued to improve, with increasing environment management standards.

DEVELOPMENT PLAN FOR 2017

1. Landscape and development trend in the industry

In 2017, the global economy is still under in-depth adjustment and reform. Basically, the Chinese economy will maintain a moderate to high growth rate. 2017 is an important year for the Company in facilitating reform and innovation, as well as speeding up transformation and upgrade. There will be numerous operating risk exposures and uncertainties.

Favorable factors: firstly, the central government will reconstruct the steel industry. As proposed at the Central Economic Work Conference, centering on facilitating the supply-side reform, the central government will strive to further facilitate the "three cuts, one reduction and one improvement (三去一降一補)" policy, and continue to cut excessive production capacity in the steel and coal industries. This will certainly facilitate the structural adjustment in the steel industry and the market will become fairer and more orderly. Secondly, the revitalizing strategy for Northeastern China will help facilitate transformation and upgrade. The central government is promulgating policies for Northeastern China's revitalization, covering in-depth reform, innovative transformation and open cooperation, which provide clear directions for the economic development of Northeastern China. Hence, the Northeastern China's economy will be stable and promising, which provide golden strategic opportunities for transformation and upgrade of the Company.

Unfavorable factors: firstly, the problem of overcapacity still exists. Currently, the significant overcapacity in China's steel industry remains unchanged, with material imbalance between supply and demand. Secondly, uncertainties in upper and lower streams in the industry are increasing. In respect of the upper stream in the industry, coal and coke prices will be at a high level for a prolonged period, resulting in high costs for steel enterprises. It is expected that the fluctuation of the iron ore price will increase in 2017, making it more difficult to predict the trend. In respect of the lower stream of the industry, the overall market demand remains weak. Thirdly, the pressure in relation to environmental protection will continue to increase. The environmental supervision of the central government is more strict, and steel enterprises are facing huge pressure in relation to environmental protection.

2. Development strategy of the Company

The Company will strengthen the production of high quality steel, focus on innovation, implement green manufacturing, provide excellent services, facilitate layout adjustment and promote upgrade and transformation.

3. Operation plan for the year of 2017

In 2017, the Company will conduct its works with due diligence and keep breaking the norms so as to realize innovative development. The Company will also fully utilize the opportunities arising from the "six strengthening":

(1) Strengthening corporate governance, thus making a breakthrough in management and control.

(2) Strengthening corporate operation, thus making a breakthrough in adapting itself to the market condition.

(3) Strengthening internal potential exploit, thus making a breakthrough in continuous cost reduction.

(4) Strengthening technology innovation, thus making a breakthrough in enhancing core competiveness.

(5) Strengthening corporate management, thus making a breakthrough in enhancing operation efficiency.

(6) Strengthening mass line, thus making a breakthrough in building a harmonious enterprise.

4. Plans for funding requirements

In 2017, the proposed investments for major construction projects including major overhaul and revamp on five coking, the 60,000 m^3/h oxygen generating unit construction in energy control center and the No. 1 slab caster renovation project in the third branch of the Main Steel Making Plant, as well as external investments, will amount to RMB1,495 million.

The sources of funding for the Group in 2017 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 during the Reporting Period as compared with the corresponding period of the previous year *(%)*	Explanation and reasons for significant change
Operating income	57,882	52,759	9.71	–
Operating costs	50,186	49,469	1.45	–
Marketing expenses	1,928	2,311	-16.57	–
Administrative expenses	1,626	1,808	-10.07	–
Financial expenses	1,286	1,346	-4.46	–
Total profit	1,620	-3,763	143.05	*Note 1*
Net profit attributable to shareholders of the Company	1,616	-4,593	135.18	
Net cash flow	-1,633	1,889	-186.45	*Note 2*

Note 1: In 2016, by leveraging the favorable opportunities brought about by the turnaround of the steel market, the Company implemented a series of measures for lowering cost and enhancing efficiency to improve the Company's profitability: (i) enhancing the comprehensive sales price of steel products by exerting increased efforts for product restructuring; (ii) reducing processing costs by further promoting cost reduction in a systematic way; (iii) reducing various expenditures by strengthening budget control; and (iv) reducing comprehensive procurement costs by means of timely purchases and the combination of futures and spot commodities. As the above-mentioned measures were effectively implemented, the Company turned around with a substantial increase in profit.

Note 2: The decrease of RMB3,522 million in net cash flow for the year as compared with the previous year was mainly due to:

(1) The net cash inflow from operating activities of the Company amounted to RMB4,349 million, representing a decrease of RMB788 million as compared with the corresponding period of the previous year, mainly due to:

① Net profit for the year amounted to RMB1,615 million, representing an increase of RMB6,215 million as compared with the corresponding period of the previous year.

② Inventories increased by RMB2,716 million as compared with the beginning of the year, as compared to a decrease of RMB1,965 million for the corresponding period of the previous year. The cash flow decreased by RMB4,681 million year on year.

③ Operating receivables and payables increased the cash flow for the year by RMB1,126 million, as compared to an increase of RMB2,009 million in cash flow for the corresponding period of the previous year. The cash flow decreased by RMB883 million year on year.

④ Deferred income tax assets increased by RMB4 million as compared with the beginning of the year, as compared to a decrease of RMB815 million for the corresponding period of the previous year. The cash flow decreased by RMB819 million year on year.

⑤ Other items decreased the cash flow of RMB620 million.

(2) A decrease of RMB2,178 million in net cash outflow from investing activities as compared to the previous year due to the decrease in cash payment for purchase and construction of fixed assets and construction in progress.

(3) An increase of RMB4,897 million in net cash outflow from financing activities as compared with the previous year due to the decrease in cash inflow of borrowings obtained for the year and the increase in cash repayment for borrowings.

(4) A decrease of RMB15 million due to the effect of changes in foreign exchange.

2. Income and Cost

(1) Composition of operating income

Unit: RMB million

	2016		2015		
	Amount	**As a percentage of the operating income** *(%)*	Amount	As a percentage of the operating income *(%)*	Year-on-year increase/ decrease *(%)*
Total Operating Income	**57,882**	**100**	52,759	100	9.71
By industry					
Steel rolling and processing industry	**57,742**	**99.76**	52,686	99.86	9.60
Others	**140**	**0.24**	73	0.14	91.78
By products					
Steel products	**53,396**	**92.25**	48,513	91.95	10.07
Others	**4,486**	**7.75**	4,246	8.05	5.65
By geographical locations					
China	**52,435**	**90.59**	45,334	85.93	15.66
Export sales	**5,447**	**9.41**	7,425	14.07	-26.64

(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	57,742	50,055	13.31	9.60	1.33	7.07
By products						
Hot-rolled sheets products	17,938	15,186	15.34	10.33	-6.84	15.60
Cold-rolled sheets products	20,828	17,404	16.44	15.72	8.54	5.53
Medium and thick plates	7,824	7,221	7.71	-0.25	-0.35	0.09
By geographical locations						
China	52,295	44,979	13.99	15.54	6.78	7.05
Export Sales	5,447	5,076	6.81	-26.64	-30.22	4.78

In case of adjustment in statistical calibers of principal businesses of the Company during the Reporting Period, the 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	2016	2015	Year-on-year increase/ decrease *(%)*
Steel rolling and processing industry	Sales volume *(0'000 tons)*	**1,994.25**	1,910.17	4.40
	Production volume *(0'000 tons)*	**1,985.72**	1,892.81	4.91
	Stock volume *(0'000 tons)*	**101.93**	103.01	-1.05

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

		2016		2015		
Industry Classification	**Item**	**Amount**	**As a percentage of operating costs** *(%)*	Amount	As a percentage of operating costs *(%)*	Year-on-year increase/ decrease in operating costs *(percentage point)*
Steel rolling and processing industry	Raw materials and fuel	**36,575**	**73.07**	35,150	71.16	1.91
	Others	**13,480**	**26.93**	14,246	28.84	-1.91
	Total	**50,055**	**100**	49,396	100	–

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

☑ Applicable ☐ Not applicable

In 2016, the Company established a subsidiary, namely Angang Technology Development Co., Ltd.* (鞍鋼科技發展有限公司), which was included in the scope of consolidation. In December 2016, Angang Guangzhou Automobile Steel Co., Ltd.* (鞍鋼廣州汽車鋼有限公司), a subsidiary of the Company, received capital of RMB350 million injected by other shareholders. The equity interest of Angang Guangzhou Automobile Steel Co., Ltd. held by the Company changed from 100% to 50% upon the capital injection. Therefore, Angang Guangzhou Automobile Steel Co., Ltd. became a joint venture of the Company, and was excluded from the scope of consolidation.

As at 31 December 2016, 19 subsidiaries of the Company in total were included in the scope of consolidation.

(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)*	9,807
Proportion of total sales amount of the top five customers over total sales amount for the year *(%)*	17.08
Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year *(%)*	6.86

Top five customers of the Company

No.	Customer name	Sales amount *(RMB million)*	Proportion *(%)*
1	Customer A	2,429	4.23
2	Customer B	2,210	3.85
3	Customer C	2,141	3.73
4	Customer D	1,729	3.01
5	Customer E	1,298	2.26
Total		9,807	17.08

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

Major suppliers of the Company

Total purchase amount from the top five suppliers *(RMB million)*	19,542
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year *(%)*	45.78
Proportion of procurement from related parties of total purchase amount of the top five suppliers over total purchase amount for the year *(%)*	34.29

Top five suppliers of the Company

No.	Supplier name	Purchase amount (excluding tax) *(RMB million)*	Proportion *(%)*
1	Supplier A	6,774	15.87
2	Supplier B	5,619	13.16
3	Supplier C	2,509	5.88
4	Supplier D	2,396	5.61
5	Supplier E	2,244	5.26
Total		19,542	45.78

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	2016	2015	Increase/decrease of the Reporting Period as compared with the corresponding period of the previous year *(%)*	Explanations on material changes
Marketing expenses	**1,928**	2,311	-16.57	–
Administrative expenses	**1,626**	1,808	-10.07	–
Financial expenses	**1,286**	1,346	-4.46	–
Income tax expenses	**5**	837	-99.40	Income tax expenses for the year decreased by RMB832 million as compared with the corresponding period of the previous year, mainly due to (1) the recognition of deferred tax assets for losses of the previous year; (2) the earnings for the year, while the Company utilized deductible losses of previously unrecognized deferred income tax assets. The income tax expenses of RMB5 million was recognized for the earnings of subsidiaries.

4. R&D expenditure

Item	**2016**	2015	Year-on-year increase/decrease *(%)*
Number of R&D staff *(person)*	**1,789**	1,898	-5.74
Percentage of the number of R&D staff in the Company *(%)*	**5.86**	5.02	Increased by 0.84 percentage point
Amount of R&D expenditure *(RMB million)*	**1,002**	1,331	-24.72
Percentage of R&D expenditure over operating income *(%)*	**1.73**	2.52	Decreased by 0.79 percentage point
Amount of capitalization of R&D expenditure *(RMB million)*	**–**	–	
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

5. Cash flow

Unit: RMB million

Item	2016	2015	Year-on-year increase/decrease *(%)*
Sub-total of cash inflow from operating activities	**52,114**	47,986	8.60
Sub-total of cash outflow from operating activities	**47,765**	42,849	11.47
Net cash flow from operating activities	**4,349**	5,137	-15.34
Sub-total of cash inflow from investing activities	**913**	1,149	-20.54
Sub-total of cash outflow from investing activities	**1,463**	3,877	-62.26
Net cash flow from investing activities	**-550**	-2,728	79.84
Sub-total of cash inflow from financing activities	**26,945**	30,134	-10.58
Sub-total of cash outflow from financing activities	**32,358**	30,650	5.57
Net cash flow from financing activities	**-5,413**	-516	-949.03
Net increase of cash and cash equivalents	**-1,633**	1,889	-186.45

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

☑ Applicable ☐ Not applicable

(1) The net cash inflow from operating activities of the Company amounted to RMB4,349 million, representing a decrease of RMB788 million as compared with the corresponding period of the previous year, mainly due to:

① Net profit for the year amounted to RMB1,615 million, representing an increase of RMB6,215 million as compared with the corresponding period of the previous year.

② Inventories increased by RMB2,716 million as compared with the beginning of the year, as compared to a decrease of RMB1,965 million for the corresponding period of the previous year. The cash flow decreased by RMB4,681 million year on year.

③ Operating receivables and payables increased the cash flow for the year by RMB1,126 million, as compared to an increase of RMB2,009 million in cash flow for the corresponding period of the previous year. The cash flow decreased by RMB883 million year on year.

④ Deferred income tax assets increased by RMB4 million as compared with the beginning of the year, as compared to a decrease of RMB815 million for the corresponding period of the previous year. The cash flow decreased by RMB819 million year on year.

⑤ The cash flow for other items decreased by RMB620 million.

(2) The decrease of RMB2,414 million in cash outflow from investing activities for the year as compared to the previous year was mainly due to the decrease in cash payment for the purchase and construction of fixed assets and construction in progress.

(3) The decrease of RMB2,178 million in net cash outflow from investing activities for the year as compared with the previous year was mainly due to the decrease in cash payment for the purchase and construction of fixed assets and construction in progress.

(4) The increase of RMB4,897 million in net cash outflow from financing activities for the year as compared with the previous year was mainly due to the decrease in cash from borrowings obtained by the Company and the increase in cash repayment for borrowings.

(5) The decrease of RMB3,522 million in net cash flow for the year as compared with the previous year was mainly due to (i) the decrease of RMB788 million in net cash inflow from operating activities as compared with the previous year; (ii) the decrease of RMB2,178 million in net cash outflow from investing activities as compared with the previous year as a result of the decrease in cash payment for the purchase and construction of fixed assets and construction in progress; (iii) the increase of RMB4,897 million in net cash outflow from financing activities arising from the decrease in cash received from receivable borrowings and increase in cash repayment for borrowings for the year; and (iv) the decrease of RMB15 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

Item	Amount *(RMB million)*
Reconciliation of net profit to cash flows from operating activities	
Net profit	1,615
Add: Provision for impairment	19
Depreciation of fixed assets	3,295
Amortization of intangible assets	156
Loss of disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-1
Loss on fixed assets disposal ("-" for gains)	16
Financial expenses ("-" for gains)	1,281
Investment loss ("-" for gains)	-427
Decrease in deferred tax assets("-" for increase)	-4
Increase in deferred tax liabilities("-" for decrease)	-18
Decrease in inventories ("-" for increase)	-2,716
Decrease in operating receivables ("-" for increase)	-1,605
Increase in operating payables ("-" for decrease)	2,731
Others	7
Net cash flow from operating activities	**4,349**

6. Liquidity and financial resources

As at 31 December 2016, the Group had long-term loans (exclusive of loans due within one year) of RMB1,296 million with interest rates ranging from 4.2892% to 4.75% per annum. The term of such loans range from 3 to 25 years, and the loans will fall due during the period from 2018 to 2022. The loans are mainly used for replenishing the working capital. The Group's long-term loans due within one year amounted to RMB161 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 monthly basis in accordance with the adjustments to the benchmark interest rate for loans of the same period made by the Central Bank.

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 credit rating of "AAA". In 2016, 17 financial institutions which had strategically cooperated with the Company provided credit facilities to the Company. The Group is capable of repaying its debts when they become due.

As at 31 December 2016, cash and bank balances of the Group denominated in foreign currencies was nil (31 December 2015: nil).

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

Unit: RMB million

	31 December 2016	31 December 2015
RMB	**1,968**	3,601
US dollars	**–**	–
HK dollars	**–**	–
Others	**–**	–
Total	**1,968**	3,601

As at 31 December 2016, the Group had a total capital commitment of RMB1,076 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 2016, the total contribution to the basic pension scheme amounted to RMB660 million (including the employer's contribution of RMB466 million and the employees' contribution of RMB194 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. The Company has suspended the payment for corporate annuity since 1 August 2016. From January to July 2016, the total contribution to the corporate annuity scheme amounted to RMB90 million, including the employees' contribution of RMB34 million and the employer's contribution of RMB56 million. The compensation of corporate annuity for 2016 amounted to RMB39 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 USD270 million, of which the foreign exchange risk was dependent on the foreign exchange rate of RMB over USD. In 2016, due to the changes in exchange rate of RMB over USD, the Company incurred a loss of RMB43 million in currency exchange.

ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in composition of assets

Unit: RMB million

	End of 2016		End of 2015			
	Amount	**As a percentage of total assets** *(%)*	Amount	As a percentage of total assets *(%)*	Increase/ decrease *(percentage point)*	Explanation for significant change
Monetary capital	**1,968**	**2.23**	3,601	4.06	-1.83	–
Account receivables	**1,942**	**2.21**	1,123	1.27	0.94	–
Inventories	**10,466**	**11.88**	8,008	9.04	2.84	–
Long-term equity investments	**2,968**	**3.37**	2,673	3.02	0.35	–
Fixed assets	**49,065**	**55.71**	51,014	57.58	-1.87	–
Construction in progress	**2,232**	**2.53**	2,852	3.22	-0.69	–
Short-term loans	**18,995**	**21.57**	16,319	18.42	3.15	–
Long-term loans	**1,296**	**1.47**	962	1.09	0.38	–

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	–	–	–	–	–	0
3. Available-for-sale financial assets	62	–	-7	–	–	–	52
Sub-total of financial assets	66	–	-7	–	–	–	52
Investment properties	–	–	–	–	–	–	–
Productive biological assets	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–
Total	66	–	-7	–	–	–	52
Financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Material changes in measurement of major assets during the Reporting Period

☐ Yes ☑ No

3. Gearing ratio

As at 31 December 2016 and 31 December 2015, the Group's ratio of equity to liability was 1.06 times and 0.97 times, respectively.

4. Restrictions on assets power as at the end of the Reporting Period

The Group pledged notes receivable with a carrying amount of RMB63 million to bank during the year to apply for the issuance of notes payable of RMB63 million. The term of pledge is from July 2016 to July 2017. The Group pledged notes receivable with a carrying amount of RMB1,547 million to bank to obtain short-term borrowings of RMB1,429 million.

5. Contingent liabilities

As at 31 December 2016, the Group had no contingent liabilities.

ANALYSIS ON THE CORE COMPETITIVENESS

1. Secured supply of resources

The surrounding areas of Anshan have abundant reserves of iron ore. Angang Mining Co. has iron ore resources of 8,800 million tons and stands at the first place in the PRC and a leading position in the world in terms of production stripping capacity of 230 million tons per year and mineral processing capacity of 65 million tons per year. Its leading mining technology in the PRC and leading mineral processing technology in the world secured the supply of resources for sustainable development.

2. Advantages in corporate culture

The Company has established a profound corporate culture with "Innovation, Factualism, Hard Working and Contribution" as its core, which generalizes, extracts and sublimates the spirits of people of several generations. With rich connotation containment and denotation radiation, its corporate culture demonstrates the Chinese traditional virtues and fine working style of the working class in the PRC. Moreover, it has been endowed with new historical context to facilitate the innovative development of transformation and upgrading with distinctive culture of advantage, innovation, competition, and harmony.

3. Technical and equipment capacity

The principal production techniques and technological equipment in the Company's Anshan production base have reached national advanced level, making the Company's main equipment modernized and large-scale. The Company also has extensive experience in the construction of steel factories and construction management.

The production base of Bayuquan Iron & Steel Branch Company (鲅魚圈鋼鐵分公司) of Angang Steel possesses advanced technological equipment and techniques with a compact layout and thus has a sound foundation for green development with leading key indicators for technology in the PRC. The JNX-7–2 type compound coke oven is equipped with two coke dry quenching devices with a capacity of 160t/h and gas purification facilities and two blast furnaces of 4,038 cubic meters. The three top-bottom combined blown converters of 260 tons adopt static and dynamic control models for converters as well as technology for bottom blowing, sublance and mass spectrometer, achieving automation in steelmaking with options to produce low-carbon steel and low-phosphorus steel. Ultra-low carbon steel and low-alloy steel can be refined with one LF, two RH and one ANS refining furnaces. The three casting machines have total production capacity of 6.5 million tons per year, where one of them is a thick plate casting machine and two of them are regular casting machines. The 5500 production line is currently one of the largest plate mills of wide and heavy plates in the world. Besides, its roughing rolling unit with a maximum opening of 1,100 mm and a maximum thickness of finished products of 400 mm 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.

4. Comprehensive market competitiveness of products

In addition to certain advantages in differentiation, the Company has a comprehensive product portfolio with a vast variety of products and complete specifications. Its brand enjoys a high reputation and trustworthiness and possesses better strength in providing ancillary services for users.

The Company has a relatively stronger capability in plate products with industry leading products such as sheets for automobiles, home appliances and containers. Moreover, the Company is capable of steadily manufacturing high-grade surface cold-rolled and galvanized sheets used for covering external parts of automobiles. Meanwhile, steel for railway as well as steel plates for containers and vessels have continued to be named “China top brand”.

The following products of the Company were awarded the “Golden Cup Prize” for quality metallurgical products in 2014: hot rolled steel plate for vessel and oceanographic engineering structures, steel wire rod for welding, steel wire rod for steel cord, seamless steel tube for gas cylinder (cold-drawing and hot-rolling), seamless steel tube for pipeline tube (hot-rolling), casing and oil tube for petroleum (hot-rolling), hot-rolled round steel for guaranteed hardenability structure, seamless nickel and nickel alloy condensers and heat exchanger tubes (cold-rolling) and steel rail with asymmetric section for railway turnout.

The following products of the Company were 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.

5. **Comprehensive R&D strength**

The Company has a leading comprehensive R&D strength in the domestic steel industry.

The Company has developed hot stamping steel AC1500HS(22MnB5) and is capable to supply such product in batches. The hot stamping steel is used in the production of auto parts with steel plate strength of more than 1500MPa.

The R&D for key technology of extra thick and extra wide steel plate for high-end equipment have achieved the stable welding and production of homogeneous extra thick composite slab such as Q235B and heterogeneous composite slab such as 9Ni steel. The welding of stainless steel composite slab is also achieved.

In respect of high performance steel for oceanographic engineering, electroslag remelting technique is applied to produce 330 mm cross-section billet to produce Q960 grade steel for oceanographic engineering with the thickness of 114 mm. Normalizing steel for oceanographic engineering with a maximum thickness of 89 mm is also developed. In terms of steel for boiler and pressure container series, extra thick steel for boilers (13MnNiMoR), tampered steel for containers with high strength (07MnMoVR, 07MnNiVDR and 07MnNiMoDR), steel for containers under low temperature (09MnNiDR and 15MnNiNbDR) can be produced with the maximum thickness of 200 mm.

High quality oriented silicon steel (30AG120, 27AG100 and 35AG115) has achieved volume production. The Company has developed the corrosion-resistant steel for railway vehicles (S450AW), achieving the efficient and green industrial production of steel which is resistant to atmospheric corrosion. The Company has also completed the localization of AP1000, CPR1000 and other steel for large-sized nuclear equipment and low-alloy high-strength steel.

6. **Independent intellectual property and technology control capacity**

The Company's intellectual property belongs to the top tier in the metallurgical industry in terms of the number of patent applications, licenses and proprietary technologies. The Company also plays an important role in the revision of national standards and industry standards. During the "Twelfth Five-year Plan" period, the Company completed the revision of 2 international standards, 10 national standards and 11 industry standards as the chief editor, and completed the revision of 11 national standards as one of the editors. Those standards cover steel plates, steel belts, steel tubes, wire rods, chemical products, chemical testing methods and other areas.

The "development of Angang TMCP ultra-high strength steel for vessel and oceanographic engineering series (鞍鋼TMCP超高強度船體及海洋工程用系列鋼板開發)" was awarded the Major Research and Development Achievement Award in Liaoning Province (遼寧省企業重大研發成果獎). The invention patents including "a quantitative test and analysis method for the textures of cubic materials (一種立方系材料織構的定量測試分析方法)", "a metallurgical waste product as a converter coolant and its use (一種冶金廢料產品作為轉爐冷卻劑及其使用方法)" and "a low cost method for the production of clean steel (一種低成本潔淨鋼的生產方法)" were awarded the China Patent Excellence Award (中國專利優秀獎). The projects including "development and application of low cost clean steel production technology (低成本潔淨鋼生產技術開發與應用)" and "a method for removing calibration mark of rollers of rolling mill (一種消除軋機工作輥標定印的方法)" were awarded the Excellence in Innovation Award (卓越創新獎) at the International Invention Exhibition (國際發明展)

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

There was no change in accounting policies, estimates and methods when compared with the 2015 financial report.

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

During the year, the Company established a subsidiary, Angang Technology Development Co., Ltd. (鞍鋼科技發展有限公司), which was consolidated into the Company's financial statements. In December 2016, Angang Guangzhou Automotive Steel Co., Ltd. (鞍鋼廣州汽車鋼有限公司), a subsidiary of the Company, received capital contribution of RMB350 million from other shareholders. Upon the capital contribution, the Company's shareholding in Angang Guangzhou Automotive Steel Co., Ltd. changed from 100% to 50%. The company was changed to a joint venture of the Company and was no longer consolidated into the Company's financial statements.

As at 31 December 2016, there were 19 subsidiaries which were consolidated into the Company's financial statements.

EVENTS AFTER THE REPORTING PERIOD

There were no significant subsequent events since 31 December 2016 up to the date of this announcement which would have material effect to the Group.

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) 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".

In 2016, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 have lowered the legal risks to the Directors. Therefore, no insurance arrangement is 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."

In 2016, 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.

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 2016.

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 2016 will be held on Thursday, 8 June 2017. A notice to convene the annual general meeting of the Company for 2016 and the 2016 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 of 31 December 2016

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

Items	*Note*	**31 December 2016**	31 December 2015
Current assets:			
Cash at banks and on hand		**1,968**	3,601
Financial assets at fair value through profit or loss			4
Notes receivable		**8,352**	8,311
Accounts receivable	2	**1,942**	1,123
Prepayments		**2,586**	2,493
Dividend receivable			6
Other receivables		**362**	49
Inventories		**10,466**	8,008
Non-current assets due within 1 year			
Other current assets			
Total current assets		**25,676**	23,595
Non-current assets:			
Available-for-sale financial assets		**839**	849
Long-term equity investments		**2,968**	2,673
Investment properties			
Fixed assets		**49,065**	51,014
Construction in progress		**2,232**	2,852
Construction material		**9**	6
Intangible assets		**5,755**	6,086
Long term deferred expenses			
Deferred income tax assets		**1,525**	1,521
Other non-current assets			
Total non-current assets		**62,393**	65,001
Total assets		**88,069**	88,596

CONSOLIDATED BALANCE SHEET *(Continued)*

Liabilities and shareholders' equity	*Note*	**31 December 2016**	31 December 2015
Current liabilities:			
Short-term loans		**18,995**	16,319
Notes payable		**1,766**	3,991
Accounts payable	3	**10,055**	5,799
Advances from customers		**4,065**	2,834
Employee benefits payable		**124**	167
Tax payable		**(131)**	20
Interest payable		**76**	181
Other payables		**1,678**	2,106
Non-current liabilities due within 1 year		**161**	4,587
Other current liabilities			7,000
Total current liabilities		**36,789**	43,004
Non-current liabilities:			
Long-term loans		**1,296**	962
Bonds payable		**3,944**	–
Long-term employee benefits payable			1
Deferred income		**739**	914
Deferred income tax liabilities		**13**	34
Other non-current liabilities			
Total non-current liabilities		**5,992**	1,911
Total liabilities		**42,781**	44,915

CONSOLIDATED BALANCE SHEET *(Continued)*

Liabilities and shareholders' equity	*Note*	**31 December 2016**	31 December 2015
Shareholders' equity:			
Share capital		**7,235**	7,235
Capital reserve		**31,519**	31,519
Other comprehensive income		**12**	18
Special reserve		**52**	54
Surplus reserve		**3,580**	3,580
Undistributed profits	4	**2,484**	868
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		**44,882**	43,274
Minority interests		**406**	407
Total shareholders' equity		**45,288**	43,681
Total liabilities and shareholders' equity		**88,069**	88,596

CONSOLIDATED INCOME STATEMENT
12 months ended 31 December 2016

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

Items	Note	For the 12 months ended 31 December 2016	31 December 2015
1. Operating income		**57,882**	52,759
Including: Operating income	5	**57,882**	52,759
2. Operating costs		**56,718**	57,027
Including: Operating costs	5	**50,186**	49,469
Taxes and surcharges	6	**271**	224
Marketing expenses		**1,928**	2,311
Administrative expenses		**1,626**	1,808
Financial expenses	8	**1,286**	1,346
Impairment losses on assets		**1,421**	1,869
Add: gains/losses from fair value variation		**–**	4
Investment income		**427**	391
Including: Income from investment in joint ventures and associates		**335**	340
3. Operating profit		**1,591**	(3,873)
Add: Non-operating income		**61**	182
Less: Non-operating expenses		**32**	72
Including: Losses on non-current assets disposal		**23**	32
4. Profit before income tax		**1,620**	(3,763)
Less: Income tax expenses	9	**5**	837
5. Net profit		**1,615**	(4,600)
Net profit attributable to shareholders of parent company		**1,616**	(4,593)
Gains/losses attributable to minority shareholders		**(1)**	(7)

CONSOLIDATED INCOME STATEMENT *(Continued)*

Items	*Note*	**For the 12 months ended** **31 December 2016**	31 December 2015
6. The net amount after tax of Other comprehensive income		**(6)**	11
(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		**(6)**	11
a. The shares of the other comprehensive income which can be reclassified in profits or losses of the invested company in equity method		**1**	4
b. The profits or losses from the change of the fair value of available-for-sale financial assets		**(7)**	7
c. The profits or losses of available-for-sale financial assets from the reclassification of held-for-sale investment			
d. The effective portion of profits or losses from cash flows hedges			
e. The differences converted in foreign currency of financial statement			
f. Others			
7. Earnings per share			
(1) basic earnings per share *(RMB/share)*	10	**0.223**	(0.635)
(2) diluted earnings per share *(RMB/share)*	10	**0.223**	(0.635)
8. Total comprehensive income		**1,609**	(4,589)
The other comprehensive income belongs to the owners of the company		**1,610**	(4,582)
The other comprehensive income belongs to the minority		**(1)**	(7)

NOTES

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.

According to the Accounting Standards for Business Enterprises the group accounting is 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 (%)
Accounts receivable with significant single amount subject to individual impairment	1,489	77		
Other accounts receivable with insignificant single amount subject to individual impairment	454	23	1	100
Total	1,943	100	1	100

2. ACCOUNTS RECEIVABLE *(Continued)*

(1) Nature of accounts receivable *(Continued)*

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

(2) Aging of account receivables

Aging	**Closing balance**		Opening balance	
	Balance	**Percentage (%)**	Balance	Percentage (%)
Within 1 year	**1,851**	**95**	1,042	93
1 to 2 years	**19**	**1**	78	7
2 to 3 years	**72**	**4**	3	
Over 3 years	**1**		1	
Total	**1,943**	**100**	1,124	100

3. ACCOUNTS PAYABLE

Aging	**Closing balance**		Opening balance	
	Balance	**Percentage (%)**	Balance	Percentage (%)
Within 1 year	**9,971**	**99**	5,733	99
1 to 2 years	**24**		7	
2 to 3 years	**2**		1	
Over 3 years	**58**	**1**	58	1
Total	**10,055**	**100**	5,799	100

4. UNDISTRIBUTED PROFITS

Items	**This year**
Opening balance	**868**
Increase of the year	**1,616**
Including: Net profit transferred this year	**1,616**
Other adjustment factors	
Decease of the year	
Including: Extraction of surplus reserve this year	
Extraction of general risk provisions this year	
Distribution of cash dividend this year	
Conversed capital	
Other decreases	
Closing balance	**2,484**

Note: On 28 March 2017, the Board has proposed for the Company to distribute cash dividend of RMB0.067 per share to the shareholders of ordinary shares, which amounts to the sum of RMB485 million. This proposal is subject to approval of the general meeting of the shareholders in 2016. The cash dividend proposed after the balance sheet date was not recognised as liabilities at the balance sheet date.

5. OPERATING INCOME AND OPERATING COSTS

Items	**This year**	Last year
Operating income from main business	**52,742**	52,686
Other operating income	**140**	73
Total	**57,882**	52,759
Operating cost for main business	**50,055**	49,396
Other operating cost	**131**	73
Total	**50,186**	49,469

6. TAXES AND SURCHARGES

Items	This year	Last year
Resources tax and business tax	**3**	8
City maintenance and construction tax	**156**	126
Educational surcharge and local educational surcharge	**112**	90
Total	**271**	224

7. DEPRECIATION AND AMORTIZATION

Items	This year	Last year
Depreciation of fixed assets	**3,295**	3,767
Amortization of intangible assets	**156**	158
Total	**3,451**	3,925

8. FINANCIAL EXPENSES

Items	This year	Last year
Interest expense	**1,360**	1,528
Including: The interest on bank loans and other loans must be fully repaid within 5 years	**937**	911
Finance charges during the financing lease period		
Other Interest expense	**423**	617
Less: Interest income	**43**	33
Less: Capitalized interest expense	**79**	299
Exchange gain or loss	**43**	113
Less: Capitalized exchange gain or loss		
Others	**5**	37
Total	**1,286**	1,346

9. INCOME TAX EXPENSES

Items	This year	Last year
Income tax calculated according to the Tax Law and the relevant regulations	**27**	10
Changes on deferred income tax expenses	**(22)**	827
Total	**5**	837

10. BASIC EPS AND DILUTED EPS

Items	This year	Last year
(a) Basic EPS *(RMB/share)*	**0.223**	(0.635)
(b) Diluted EPS *(RMB/share)*	**0.223**	(0.635)

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 2016	As at 31 December 2015
Investment contracts entered but not performed or performed partially	**18**	18
Construction and renovation contracts entered but not performed or performed partially	**1,058**	1,420
Total	**1,076**	1,438

13. NET CURRENT ASSETS

Items	**Closing balance**	Opening balance
Current assets	**25,676**	23,595
Less: current liabilities	**36,789**	43,004
Net current assets/(liabilities)	**(11,113)**	(19,409)

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	**Closing balance**	Opening balance
Total assets	**88,069**	88,596
Less: current liabilities	**36,789**	43,004
Total assets less current liabilities	**51,280**	45,592

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

Anshan City, Liaoning Province, the PRC
28 March 2017

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