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)

2017 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB39,057 million
- Total profit amounted to RMB1,869 million
- Net profit attributable to shareholders of the Company amounted to RMB1,823 million
- Basic earnings per share amounted to RMB0.252 (January to June in 2016: basic earnings per share of RMB0.041)
- The financial information contained in this report 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 under control for the six months ended 30 June 2017 together with the comparative figures as stated herein.

* *For identification purposes only*

DEFINITIONS:

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

"Angang"	Angang Group Company* (鞍鋼集團公司)
"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 Holding"	Anshan Iron & Steel Co. Ltd* (鞍山鋼鐵集團有限公司)
"ANSC-TKS"	ANSC-TKS Automobile Steel Company Ltd. (鞍鋼蒂森克虜伯汽車鋼有限公司)
"Company", "Angang Steel"	Angang Steel Company Limited* (鞍鋼股份有限公司)
"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"	Australia Karara Mining Limited (澳大利亞卡拉拉礦業有限公司)
"Pangang Vanadium & Titanium"	Pangang Group Steel Vanadium & Titanium Co., Ltd* (攀鋼集團釩鈦資源股份有限公司)
"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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I. FINANCIAL INFORMATION

Consolidated Balance Sheet
As of 30 June 2017

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

Assets	*Note*	**30 June 2017**	31 December 2016
Current assets:			
Cash at banks and on hand		**2,098**	1,968
Financial assets at fair value through profit or loss		**6**	
Notes receivable		**8,437**	8,352
Accounts receivable	2	**2,276**	1,942
Prepayments		**1,403**	2,586
Dividend receivable			
Other receivables		**334**	362
Inventories		**11,179**	10,466
Non-current assets due within 1 year			
Other current assets			
Total current assets		**25,733**	25,676
Non-current assets:			
Available-for-sale financial assets		**827**	839
Long-term equity investments		**2,927**	2,968
Investment properties			
Fixed assets		**47,702**	49,065
Construction in progress		**2,366**	2,232
Construction material		**180**	9
Intangible assets		**6,274**	5,755
Long term deferred expenses			
Deferred income tax assets		**1,523**	1,525
Other non-current assets			
Total non-current assets		**61,799**	62,393
Total assets		**87,532**	88,069

Liabilities and shareholders' equity	*Note*	**30 June 2017**	31 December 2016
Current liabilities:			
Short-term loans		**16,617**	18,995
Financial liabilities at fair value through profit or loss		**1**	
Notes payable		**793**	1,766
Accounts payable	3	**7,384**	10,055
Advances from customers		**4,391**	4,065
Employee benefits payable		**226**	124
Tax and surcharges payable		**-74**	-131
Interest payable		**172**	76
Other payables		**1,733**	1,678
Non-current liabilities due within 1 year		**166**	161
Other current liabilities		**1,500**	
Total current liabilities		**32,909**	36,789
Non-current liabilities:			
Long-term loans		**3,297**	1,296
Bonds payable		**3,950**	3,944
Long-term employee benefits payable			
Deferred income		**717**	739
Deferred income tax liabilities		**10**	13
Other non-current liabilities			
Total non-current liabilities		**7,974**	5,992
Total liabilities		**40,883**	42,781

Liabilities and shareholders' equity	*Note*	**30 June 2017**	31 December 2016
Shareholders' equity:			
Share capital		**7,235**	7,235
Capital reserve		**31,519**	31,519
Other comprehensive income		**3**	12
Special reserve		**76**	52
Surplus reserve		**3,580**	3,580
Undistributed profits	4	**3,822**	2,484
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		**46,235**	44,882
Minority interests		**414**	406
Total shareholders' equity		**46,649**	45,288
Total liabilities and shareholders' equity		**87,532**	88,069

Consolidated Income Statement
6 months ended 30 June 2017

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

Items	*Note*	**Until 30 June 2017**	Until 30 June 2016
1. Operating income		**39,057**	25,430
Including: Operating income	5	**39,057**	25,430
2. Operating costs		**37,430**	25,365
Including: Operating costs	5	**34,675**	22,217
Taxes and surcharges	6	**394**	139
Marketing expenses		**1,188**	961
Administrative expenses		**628**	729
Financial expenses	8	**555**	618
Impairment losses on assets		**-10**	701
Add: Gains/losses from fair value variation		**5**	-14
Investment income		**229**	224
Including: Income from investment in joint ventures and associates		**208**	210
Other income		**22**	
3. Operating profit		**1,883**	275
Add: Non-operating income		**6**	50
Less: Non-operating expenses		**20**	17
Including: Losses on non-current assets disposal		**15**	13
4. Profit before income tax		**1,869**	308
Less: Income tax expenses	9	**38**	11

Items	*Note*	**Until 30 June 2017**	Until 30 June 2016
5. Net profit		**1,831**	297
Net profit attributable to shareholders of parent company		**1,823**	300
Gains/losses attributable to minority shareholders		**8**	-3
6. The net amount after tax of other comprehensive income		**-9**	-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		**-9**	-11
a. The shares of the other comprehensive income which can be reclassified in profits or losses of the invested company in equity method			

Items	*Note*	**Until 30 June 2017**	Until 30 June 2016
b. The profits or losses from the change of the fair value of available-for-sale financial assets		**-9**	-11
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	**0.252**	0.041
(2) Diluted earnings per share *(RMB/share)*	10	**0.252**	0.041
8. Total comprehensive income		**1,822**	286
The other comprehensive income belongs to the owners of the company		**1,814**	289
The other comprehensive income belongs to the minority		**8**	-3

NOTES

(In addition to the special note, the notes to the financial statements are denominated in RMB million)

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 42 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 with significant single amount subject to individual impairment	1,841	81		
Other accounts receivable with insignificant single amount subject to individual impairment	436	19	1	100
Total	2,277	100	1	100

Items	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	1,489	77		
Other accounts receivable with insignificant single amount subject to individual impairment	454	23	1	100
Total	1,943	100	1	100

(2) Aging of account receivables

Aging	**Closing balance**		Opening balance	
	Balance	**Percentage (%)**	Balance	Percentage (%)
Within 1 year	**2,219**	**97**	1,851	95
1 to 2 years	**23**	**1**	19	1
2 to 3 years	**15**	**1**	72	4
Over 3 years	**20**	**1**	1	
Total	**2,277**	**100**	1,943	100

3. ACCOUNTS PAYABLE

Aging	**Closing balance**		Opening balance	
	Balance	**Percentage (%)**	Balance	Percentage (%)
Within 1 year	**7,295**	**99**	9,971	99
1 to 2 years	**8**		24	
2 to 3 years	**22**		2	
Over 3 years	**59**	**1**	58	1
Total	**7,384**	**100**	10,055	100

4. UNDISTRIBUTED PROFITS

Items	This period
Opening balance	**2,484**
Increase of the period	**1,823**
Including: Net profit transferred this period	**1,823**
Other adjustment factors	
Decease of the period	**485**
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions this period	
Distribution of cash dividend this period	**485**
Conversed capital	
Other decreases	
Closing balance	**3,822**

Note： On 8 June 2017, the 2016 annual general meeting of the shareholders of the Company has reviewed and approved the Profit Distribution Plan for the year of 2016. Cash dividend of RM0.067 per share shall be distributed to all the shareholders of ordinary shares, which amounts to the sum of RMB485 million.

5. OPERATING INCOME AND OPERATING COSTS

Items	This period	Last period
Operating income from main business	**39,023**	25,374
Other operating income	**34**	56
Total	**39,057**	25,430
Operating cost for main business	**34,643**	22,164
Other operating cost	**32**	53
Total	**34,675**	22,217

6. TAXES AND SURCHARGES

Items	This period	Last period
Resources tax	**1**	1
City maintenance and construction tax	**75**	80
Educational surcharge and local educational surcharge	**53**	58
Housing property tax	**66**	
Tenure tax	**168**	
Stamp tax	**31**	
Total	**394**	139

7. DEPRECIATION AND AMORTIZATION

Items	This period	Last period
Depreciation of fixed assets	**1,665**	1,684
Amortization of intangible assets	**79**	79
Total	**1,744**	1,763

8. FINANCIAL EXPENSES

Items	**This period**	Last period
Interest expense	**602**	640
Including: The interest on bank loans and other loans must be fully repaid within 5 years	**549**	605
Finance charges during the financing lease period		
Other Interest expense	**53**	35
Less: Interest income	**29**	22
Less: Capitalized interest expense	**23**	36
Exchange gain or loss		33
Less: Capitalized exchange gain or loss		
Others	**5**	3
Total	**555**	618

9. INCOME TAX EXPENSES

Items	**This period**	Last period
Income tax calculated according to the Tax Law and the relevant regulations	**36**	11
Changes on deferred income tax expenses	**2**	
Total	**38**	11

10. BASIC EPS AND DILUTED EPS

Items	**This period**	Last period
(a) Basic EPS *(RMB/share)*	**0.252**	0.041
(b) Diluted EPS *(RMB/share)*	**0.252**	0.041

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 2017	As at 31 December 2016
Investment contracts entered but not performed or performed partially	**18**	18
Construction and renovation contracts entered but not performed or performed partially	**1,537**	1,058
Total	**1,555**	1,076

13. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	**25,733**	25,676
Less: current liabilities	**32,909**	36,789
Net current assets/(liabilities)	**-7,176**	-11,113

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	**87,532**	88,069
Less: current liabilities	**32,909**	36,789
Total assets less current liabilities	**54,623**	51,280

II. REPORT OF THE BOARD OF DIRECTORS

(I) Overview

In the first half of the year, leveraging the opportunities arising from the recovery of the steel market in a timely manner and adhering to the principle of "market-orientated operations centering on economic benefits under the lead of contract operations", the Company fully implemented the market-orientated operation plan, continued to optimize its product portfolio, and explored its internal potential, thus resulting in significantly improvement in operating results.

In the first half of the year, the Group recorded revenue of RMB39,057 million, representing an increase of 53.59% as compared with the corresponding period of the previous year; gross profit amounted to RMB1,869 million, representing an increase of 506.82% as compared with the corresponding period of the previous year; net profit attributable to shareholders of the Company amounted to RMB1,823 million, representing an increase of 507.67% as compared with the corresponding period of the previous year; basic earnings per share amounted to RMB0.252 per share, representing an increase of 514.63% as compared with the corresponding period of the previous year.

(1) Strengthening coordinated production to stabilize production scale

During the Reporting Period, the Group produced 10.6783 million tons of iron, representing a decrease of 1.11% as compared with the corresponding period of the previous year; 10.9085 million tons of steel, representing an increase of 1.60% as compared with the corresponding period of the previous year; and 10.2192 million tons of rolled steel, representing an increase of 3.64% as compared with the corresponding period of the previous year. Sale of rolled steel amounted to 9.9957 million tons, representing an increase of 4.00% as compared with the corresponding period of the previous year. The Group achieved a sales-output ratio of 97.81%.

(2) Deepening corporate reform and facilitating market-orientated operations

The Company facilitated market-orientated operations and implemented contract management. Adhering to the principle of "qualitative execution and quantitative improvement", with market-orientated operations centering on economic benefits under the lead of contract operations, the Company fully established the system for market-orientated operations. The Company had been conducting evaluation on the implementation of market-orientated operations by

37 production plants and operators of subsidiaries under the Company. The Company implemented contract management, and established the economic accountability indicators in four aspects, namely efficiency, effectiveness, risk and growth. Internal contract operation has been adopted in production line of 3.8 meters medium steel board of Bayuquan Iron & Steel Branch Company (鮁魚圈鋼鐵分公司), seamless steel tube production plants and small production lines in large plants, creating favorable condition for the full implementation of contract management.

(3) Deepening cost-reducing measures adopted in system to stimulate internal momentum

The Company facilitated the "three enhancements and three reductions (三提三降)" policy so as to reduce its operating costs. It actively facilitated the implementation of "scrap steel enhancement and iron reduction (提廢降鐵)" measure so as to increase the proportion of scrap steel, thereby increasing the production volume of steel to meet with the demands on steel. The Company also actively facilitated the implementation of "coal enhancement and coke reduction (提煤降焦)" measure so as to further reduce the costs for continuous rolling. Moreover, the Company actively facilitated the implementation of "production enhancement and inventory reduction" measure so as to control bulk raw materials procurement in a reasonable way and make plan on stocking in a scientific way, thus greatly reducing the inventories of billets and work-in-progress. The Company had formulated the 2017 cost-reducing measure, which covered 12 major areas with 70 target missions to be accomplished. In particular, significant achievements had been made in the researches on coal crusher, coke powder crusher, iron tanker covering, AKR desulphurization and other themes.

The Company expanded its procurement channels, thus lowering the raw material costs. It had steadily made procurement from major channels, enhanced procurement efficiency, and avoided making procurement in peak seasons. The Company also explored potential suppliers and introduced quality suppliers continuously. Moreover, the Company kept an eye on the price trend in future and spot market, and took profits when opportunities arise.

(4) Enhancing product development and leveraging on its edges in scientific researches

The Company staunchly followed the path of pursuing high quality with differentiation, specialty and professionalization. It promoted new product development towards steel type with high efficiency and high technology. The Company fully facilitated the works on scientific research and development, aiming to accelerate the development and application of new work flow and new technology, optimize product structure and strengthen the "full coverage" of products. Centering on key quality issues, the Company had established the "10 major" quality improvement projects, thereby fully enhancing key quality indicators and quality of physical products. In addition, the Company optimized the 3-grade spot inspection and equipment quoting system, dynamically updated the visible boards for different units, and continued to conduct the six sigma quality management training, thus strengthening the basis of quality management.

The "AG728 research and manufacture of high tensile steel plate for steel containment vessel" had been examined by Shanghai Nuclear Engineering Research and Design Institute, thus facilitating the upgrade of steel products for nuclear containment vessels. Such product successfully replaced import products. The A588Gr.B steel plates for nuclear power were successfully applied in nuclear power projects in Sanmen, Lufeng and Haiyang. Hence, the Company had gained a market share in high-end market of steel for nuclear power. Moreover, the S32101 nuclear grade ultra-wide 4,000mm duplex stainless steel plate, which was successfully invented by the Company, had made up for the deficiency in short special steel plate in the PRC, and reached the world-class standard. This was a huge breakthrough in the localization and independence of key equipment and materials for nuclear power in the PRC. In addition, the Company successfully won the tender for the supply of 18MND5 steel plate for Ningde accumulation tank No. 6 for nuclear power unit of Hualong One. The localization of 18MND5 steel plate for the first time had filled the gap in the PRC. The "innovation and application of whole-process key technology for steels used in ultra-large container ships" had been certified as world-class technology by China Iron and Steel Industry Association. The Company exclusively won the first batch procurement contract of the world-class ultra-large ore carrier. It also successfully invented the Q450NQR1 ultra-thick weathering steel for railway of 16–20mm thickness, which filled the Company's gap in lack of ultra-thick weathering steel for railway in its product portfolio. Based on the personalized demands of different users, the Company had self-invented the AQ30 alloy cold-rolling steel wire rod for motor engine, a new product which was able to be produced according to customized requirements, and realized steady supply of product in batches.

(5) *Optimizing marketing system and enhancing marketing services*

The Company strengthened the establishment of marketing management system, optimized internal corporate structure and integrated sales units, thereby enhancing the efficiency of marketing system. It also facilitated the reform of regional marketing companies through establishing professional sales departments, strengthening indicator break-down and stimulating corporate vitality and motivation of sales personnel. Focusing on direct clients, the Company had implemented the estimated contract sale mode, which was able to improve the efficiency of production lines, shorten supply cycle and fulfill clients' demands on delivery period. The Company strived for the implementation of strategies in core sales areas in Northeastern China. Hence, its leading position and market share in Northeastern China was enhanced.

The Company increased the marketing activities of key products, and continued to meet with the requirements of clients. It put greater effort into the marketing of key products, and continuously boosted the sales volume of different products such as heavy rails, color coating plates, motor steel and silicon steel etc. Hence, its product portfolio greatly improved with significant increase in quality improvement indicators. Among which, the contracted sales for motor steel was 630,000 tons, reaching a record high for the same period. The year-on-year increase has exceeded 16%, substantially higher than the increase in motor industry of 4.64% for the first half of the year. Hence, the market share has increased to 15.2%. The Company had implemented the key engineering brand strategy, strengthened its project management and formed project teams. It also actively commenced storage, processing and delivery services, thereby realizing the offering of value-added services.

Leveraging the opportunities for strategic development arising from the "Belt and Road" initiative, the Company had established the export service team, and put great effort into expanding into the global market. It had optimized its shipping logistics mode. With the introduction of "designation port" delivery service, the delivery period for Shanghai and Guangzhou was shortened by 5–6 days. Moreover, the Company had expanded the service scope of "final 1 km" service and offered diversified options for delivery route, thus fulfilling the customized demands of different clients.

(6) *Enhancing capital utilization to secure financial support*

Striving for the objective of minimizing cash use and optimizing capital utilization, the Company made arrangements on capital utilization in a scientific, reasonable way, thus effectively enhancing capital utilization. In order to ensure smooth capital flows, the Company implemented dynamic fund balancing and formulated remedial measures for cash flow gap, which greatly reduced utilization of current capital and enhanced capital utilization. The Company also implemented the market-orientated operation management. Indicators for current asset turnover rate and inventory turnover rate were horizontally broken down to departments and vertically implemented in production plants. Moreover, the Company put greater effort into the recovery of overdue amounts, accelerated fund recovery, implemented strict control over prepayments and reduced capital utilization.

The Company had strengthened its financing channels so as to secure financial support. Grasping the opportunities arising from sluggish market, the Company commenced the tariff negotiation credit business. It continued to promote the import trading business, and actively facilitated the works on issuance of interbank bonds. As the liquidity in the market was tightened, the Company successfully issued super short-term commercial paper of RMB1.5 billion in the first half of the year in order to ensure that smooth direct financing channel was maintained.

(7) *Strengthening environmental protection management and fully enhancing environment protection standards*

The Company had formulated and issued the internal caps on pollutant emission for 2017, and amended the environmental protection administrative measure and environmental protection management procedural documents. Based on the comprehensive management information platform for environmental protection, the Company fully deepened the establishment of environment protection management system, which included the environmental protection indicator system, the supervisory system and accountability system, thereby enhancing the execution power and management standards for environmental protection works.

In the first half of 2017, the Company did not have any significant pollution accident, with 100% execution of the "three simultaneous" eco-friendly policy for construction projects. Hazardous wastes were treated in compliance with regulation and radioactive sources were safely used. Our works on environmental protection had made significant achievement.

(II) Analysis of principal businesses

1. *Overview*

Unit: RMB million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/ decrease *(%)*	Reasons for the changes
Operating income	**39,057**	25,430	53.59	Mainly attributable to the rise in product prices and the increase in sales volume.
Operating costs	**34,675**	22,217	56.07	Mainly attributable to the rise in the prices of raw materials and the increase in sales volume.
Marketing expenses	**1,188**	961	23.62	–
Administrative expenses	**628**	729	-13.85	–
Financial expenses	**555**	618	-10.19	–
Income tax expenses	**38**	11	245.45	Mainly attributable to the increase in both profits of subsidiaries and income tax expenses recognized.
Net cash flow from operating activities	**610**	1,439	-57.61	Net cash flow from operating activities decreased by RMB829 million as compared with the corresponding period of the previous year, mainly attributable to the fact that (i) the cash received from sales of goods increased by RMB8,634 million as a result of the rise in price and the increase in sales volume of steel products during the reporting period as compared with the corresponding period of the previous year; (ii) the cash payment for purchase of goods and services increased by RMB9,165 million as compared with the corresponding period of the previous year as a result of the rise in raw fuels price; (iii) government grants decreased by RMB106 million as compared with the corresponding period of the previous year; and (iv) cash payment for freight and contracted processing fees increased by RMB218 million as compared with 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 flow from investing activities	**-665**	138	-581.88	Net cash flow from investing activities decreased by RMB803 million as compared with the corresponding period of the previous year, mainly attributable to the fact that (i) the cash received from investment gains decreased by RMB150 million as compared with the corresponding period of the previous year; and (ii) the cash payment for acquisition of fixed assets increased by RMB610 million as compared with the corresponding period of the previous year.
Net cash flow from financing activities	**185**	-2,752	106.72	Net cash flow from financing activities increased by RMB2,937 million as compared with the corresponding period of the previous year, mainly attributable to the fact that (i) the cash received from borrowings during the reporting period decreased by RMB2,025 million as compared with the corresponding period of the previous year; (ii) the cash payment for repayment of borrowings decreased by RMB5,204 million as compared with the corresponding period of the previous year; and (iii) the cash payment for dividend distribution and interest payment increased by RMB240 million as compared with 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 increase of cash and cash equivalents	**130**	-1,194	110.89	Net increase of cash and cash equivalents increased by RMB1,324 million, mainly attributable to the fact that (i) the net cash flow from operating activities decreased by RMB829 million as compared with the corresponding period of the previous year; (ii) the net cash flow from investing activities decreased by RMB803 million as compared with the corresponding period of the previous year; (iii) the net cash flow from financing activities increased by RMB2,937 million as compared with the corresponding period of the previous year; and (iv) the effect of exchange fluctuation on cash increased by RMB19 million as compared with the corresponding period of the previous year.

2. Whether there is any substantial change in profit composition or sources of profit of the Company during the reporting period

During the reporting period, there was no substantial change in profit composition or sources of profit of the Company.

3. *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	39,023	34,643	11.22	53.79	56.30	-1.43
By product						
Hot-rolled sheets products	11,715	10,305	12.04	51.10	56.66	-3.12
Cold-rolled sheets products	14,053	11,667	16.98	55.06	46.85	4.64
Medium-thick plates	5,418	5,145	5.04	58.01	58.75	-0.44
By geographical location						
China	35,966	31,796	11.59	54.37	58.49	-2.30
Export sales	3,057	2,847	6.87	47.25	35.44	8.12

Note:

The increase 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 higher product prices.

The increase in operating cost as compared with the corresponding period of the previous year was primarily due to the higher raw fuel costs. Meanwhile, the Company facilitated its works on systematic cost reduction, explored internal potential to reduce production cost, strengthened and refined expenses management, and implemented strict control over expenses, thus reducing processing costs in the first half of the year.

4. Liquidity and financial resources

As at 30 June 2017, the Group had long-term loans (exclusive of loans due within one year) of RMB3,297 million with interest rates ranging from 2.65% to 4.9% per annum. The term of such loans range from 2 to 5 years, and the loans will fall due during the period from 2019 to 2022. The loans are mainly used for replenishing the working capital. The Group's long-term loans due within one year amounted to RMB166 million.

In 2017, 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 at 30 June 2017, the Group had a total capital commitment of RMB1,555 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.

5. 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 USD150 million, of which the foreign exchange risk was dependent on the foreign exchange rate of RMB over USD (with foreign currency forward contract entered into based on maturity and there was no exchange risk exposure). In the first half of 2017, due to the changes in exchange rate of RMB over USD, the Company incurred a loss of RMB0 million in currency exchange.

(III) Analysis of principal businesses

Unit: RMB million

	Amount	As a percentage of total profit	Reasons for the changes	Sustainable or not
Investment income	229	12.25%	Investment income from long-term equity investments accounted by equity method and financial assets at fair value through profit or loss	Yes
Gains or losses arising from changes in fair value	5	0.27%	Financial assets and financial liabilities at fair value through profit or loss	No
Asset impairment	-10	-0.54%	Mainly included asset impairment losses such as losses on inventory falling price	No
Other gains	22	1.18%	Mainly included government grants	No
Non-operating income	6	0.32%	Mainly included gains on disposal of non-current assets	No
Non-operating expenses	20	1.07%	Mainly included losses on disposal of non-current assets	No

(IV) Assets and liabilities

1. *Significant changes in composition of assets*

Unit: RMB million

	End of the reporting period		End of the corresponding period of the previous year			
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)	Increase/ decrease *(percentage point)*	Explanation for significant change
Monetary capital	2,098	2.40	1,968	2.23	0.17	–
Account receivables	2,276	2.60	1,942	2.21	0.39	–
Inventories	11,179	12.77	10,466	11.88	0.89	–
Long-term equity investments	2,927	3.34	2,968	3.37	-0.03	–
Fixed assets	47,702	54.50	49,065	55.71	-1.21	–
Construction in progress	2,366	2.70	2,232	2.53	0.17	–
Short-term loans	16,617	18.98	18,995	21.57	-2.59	–
Long-term loans	3,297	3.77	1,296	1.47	2.30	–

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)	0	–	–	–	–	–	**6**
2. Derivative financial assets	–	–	–	–	–	–	**–**
3. Available-for-sale financial assets	52	–	2	–	–	–	**40**
Sub-total of financial assets	52	–	2	–	–	–	**46**
Investment properties	–	–	–	–	–	–	**–**
Productive biological assets	–	–	–	–	–	–	**–**
Others	–	–	–	–	–	–	**–**
Total	52	–	2	–	–	–	**46**
Financial liabilities	0	–	–	–	–	–	**1**

Material changes in measurement of major assets during the Reporting Period

☐ Yes ☑ No

3. *Gearing ratio*

As at 30 June 2017 and 31 December 2016, the Group's ratio of equity to liability was 1.14 times and 1.06 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 RMB92 million to bank during the period to apply for the issuance of notes payable of RMB92 million. The term of pledge is from July 2017 to January 2018. The Group pledged notes receivable with a carrying amount of RMB1,379 million to bank to obtain short-term borrowings of RMB1,201 million.

5. Contingent liabilities

As at 30 June 2017, the Group had no contingent liabilities.

(V) Business plan for the second half of 2017

1. Strengthen market-orientated operations and facilitate contract management.

2. Deepen systematic cost reduction and continue to reduce operating cost.

3. Deepen product structure adjustment and improve product profitability.

4. Strengthen product quality control and enhance brand image continuously.

5. Put greater efforts on technology research and development as to enhance technology innovation level.

6. Enhance risk prevention capability as to ensure steady operations.

(VI) Investment analysis

1. Overview

External investment

Investment for the Reporting Period *(RMB million)*	Investment for the corresponding period of the previous year *(RMB million)*	Changes *(%)*
0	0	–

2. Significant equity investments made during the Reporting Period

☐ Applicable ☑ Not applicable

3. Significant non-equity investments being conducted during the Reporting Period

☐ Applicable ☑ Not applicable

4. *Financial asset investments*

(1) Securities investments

Stock type	Stock code	Abbreviation	Initial investment *(RMB million)*	Accounting measurements	Book value at the beginning of the period *(RMB million)*	Gains or losses on fair value change for the current period	Gains or losses arising from changes in fair value reported in equity *(RMB million)*	Purchase amount for the current period	Disposal amount for the current period *(RMB million)*	Loss or gain during the period *(RMB million)*	Book value at the end of the period *(RMB million)*	Accounting item	Source of funds
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	52	–	2	–	–	–	40	Available for sale financial assets	Self-owned funds

(2) Derivatives investments

Unit: RMB million

Name of the derivatives investment operator	Relationship with the Group	Connected 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 hedging	1	29 April 2015	–	181	955	813	–	185	0.4%	21
Total				1	–	–	181	955	813	–	185	0.4%	21

Source of funds for derivative investments	Self-owned funds
Litigation case (if applicable)	None
Date of the announcement disclosing the approval of derivatives investment by the Board	On 28 March 2017, the resolution in relation to the Company's carrying out business of hedging with commodity futures in 2017 was approved at the tenth meeting of the seventh session of the Board.
Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting	None

Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk, etc.)	(1) Market risk exists when the position held by the Company is related to the steel products industry, which is highly relevant to spot commodity operated by the Company. Although the Company makes regular analysis and estimation on the market, the judgment on the market may be deviated, resulting in potential risk. However, the risk is controllable after futures hedging with spot commodities. (2) As the category of position held has a sufficient liquidity, there is no liquidity risk. (3) The Futures Exchange provides credit guarantee for the category of position held, thus the credit risk is minimal. (4) The Company carries out such business in strict compliance with the relevant requirements of hedging and total holding position and term are in line with the Company's approval. The Company has performed valuation of relevant legal risks. Business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and thus, risks can be controlled.
Changes in market price or product fair value of derivatives invested during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value	Dominant future contract settlement prices of deformed bar and hot-rolled coil quoted on the Shanghai Futures Exchange, and future contract settlement prices of iron ore and coking coal quoted on the Dalian Commodity Exchange. On 3 January 2017, the settlement prices of deformed bar, hot-rolled coil, iron ore and coking coal were RMB2,914/ton, RMB3,353/ton, RMB550.5/ton and RMB1,159/ton, respectively; on 30 June 2017, the settlement prices of deformed bar, hot-rolled coil, iron ore and coking coal were RMB3,306/ton, RMB3,369/ton, RMB471/ton and RMB1,115/ton, respectively. The fair values of deformed bar, hot-rolled coil, iron ore and coking coal were +RMB392/ton, +RMB16/ton, -RMB79.5/ton and -RMB44/ton, respectively.
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.

(VII) Disposal of significant assets and equity interests

1. Disposal of significant assets

☐ Applicable ☑ Not applicable

2. Disposal of significant equity interests

☐ Applicable ☑ Not applicable

(VIII) Analysis of major subsidiaries and investees

Unit: RMB million

Name of companies	Type of companies	Industry	Principal products or services	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
ANSC-TKS	Sino-foreign cooperative venture	Steel pressing and processing industry	Production of rolled hot dip galvanized steel products and alloyed steel plate and strip products, sale of self-produced products and provision of after-sale services	USD132 million	2,194	1,382	2,706	341	291
Angang Financial Company	Company with limited liability	Financial	Deposit, lending and financing	4,000	20,798	7,131	514	439	335

Acquisition and disposal of subsidiaries during the Reporting Period

☐ Applicable ☑ Not applicable

(IX) Structured entities controlled by the Company

☐ Applicable ☑ Not applicable

(X) Purchase, Sale or Redemption of Listed Shares of the Company

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

(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 of the Company 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 2017.

III. SIGNIFICANT EVENTS

(I) Proposals of profit distribution and transfer of reserve to share capital during the Reporting Period

The Company proposed not to distribute cash dividends, issue bonus shares or transfer reserve to share capital for the interim period.

(II) Major connected transactions

1. Continuing connected transactions related to daily operations

A. Connected party: Angang Group

Connected relationship: Controlling shareholder of the Company

Settlement method of the connected transaction: Cash payment

Type	Details	Pricing principle	Price *(RMB)*	Amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap approved *(RMB million)*	Whether exceeding approved cap	Market price of available similar transactions
Procurement of principal raw materials from the connected party	Iron concentrate	Not higher than the average value of medium price of Platts 65% CFR price for the northern part of China (Qingdao Port) announced daily by SBB Steel Markets Daily in the first month preceding the month of the transaction (T-1)*, plus the transportation cost from Bayuquan Port to Angang Steel, and adjusted upwards or downwards based on each iron concentration calculated by reference to the average value of Platts 65%, in the first month preceding the month of the transaction (T–1)*. A discount equal to 3% of the average value of Platts 65% in the first month preceding the month of the transaction (T-1)* shall apply to the price determined pursuant to the formula set out above.	RMB654/ton	3,565	66.39	–	–	RMB622/ton
	Pellet	Market price	RMB705/ton	2,067	98.04	–	–	RMB723/ton
	Sinter ore	The price of iron concentrate plus processing cost in the preceding one month (T-1)*, the processing cost of which should not be higher than that of similar products produced by Angang Steel.	RMB720/ton	1,093	100.00	–	–	–

Type	Details	Pricing principle	Price	Amount	As a percentage of the amount of similar transactions	Transaction cap approved	Whether exceeding approved cap	Market price of available similar transactions
			(RMB)	*(RMB million)*	*(%)*	*(RMB million)*		
	Karara magnetite	Premium products (iron grade≥67.2%): not higher than the average price of such products in Mainland China sold to independent third parties in the corresponding period (which is the shipment month). The sales of premium products of Karara Mining in Mainland China sold to independent third parties are not less than 30% of the then total sales of Karara Mining's premium products. Standard products (67.2%＞iron grade≥65%): the price is calculated by reference to the average value of medium price of Platts 65% CFR price for the northern part of China (Qingdao Port) announced daily by SBB Steel Markets Daily, plus the difference of the transportation cost of shipping in dry ton from Qingdao Port to Bayuquan, Liaoning Province, as divided by 65 and multiplied by the actual grade after loading in the place of loading in the corresponding month. Low standard products (65%＞iron grade ≥59%): the price is calculated by reference to the average value of medium price of Platts 62% iron CFR price for the northern part of China (Qingdao Port) announced daily by SBB Steel Markets Daily, plus the difference of the transportation cost of shipping in dry ton from Qingdao Port to Bayuquan, Liaoning Province, as divided by 62 and multiplied by the actual grade after loading in the place of loading in the corresponding month.	RMB664/ton	616	100.00	–	–	RMB622/ton
	Scrap	Market price	–	91	12.04	–	–	–
	Billets		–	121	100.00	–	–	–
	Alloy and non-ferrous metal		–	70	3.65	–	–	–
	Sub-total	–	–	7,623	63.68	19,800	No	–
Procurement of energy and power from the connected party	Electricity	State price	RMB0.43/kWh	785	35.72	–	–	RMB0.43/kWh
	Water	State price	RMB2.10/ton	22	28.31	–	–	RMB2.10/ton
	Sub-total		–	807	35.48	2,805	No	–
Purchase of ancillary products from the connected party	Lime stone	Not higher than the selling prices offered by Angang Group to independent third parties	RMB60/ton	78	77.32	–	–	–
	Lime powder		RMB407/ton	314	98.11	–	–	–
	Refractory materials		–	127	27.16	–	–	–
	Spare parts and tools		–	115	10.50	–	–	–
	Other ancillary materials	–	–	135	16.56	–	–	–
	Sub-total	–	–	769	27.48	2,915	No	–

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether exceeding approved cap	Market price of available similar transactions
Purchase of support services from the connected party	Railway transportation services	State price	–	230	52.84	–	–	–
	Road transportation services	Market price	–	279	88.71	–	–	–
	Pipeline transportation services		–	27	100.00	–	–	–
	Agency services: – Import of raw materials, equipment, spare parts and ancillary materials – Export of products – Tendering	Commission not higher than 1.5% (not more than the commissions levied by major state-owned import and export companies of China)	–	62	100.00	–	–	–
	Equipment repair, and maintenance and services	Market price	–	144	19.44	–	–	–
	Design and engineering services	Market price	–	77	72.33	–	–	–
	Educational facilities, occupational technical education, on-the-job training and translation services	Market price	–	0.2	15.93	–	–	–
	Newspaper and other publications	State price	–	0.03	11.98	–	–	–
	Telecommunication business, telecommunication services and information systems	State price or the sum of depreciation expenses and maintenance fees	–	8	73.25	–	–	–
	Production support and maintenance	Costs of labor and materials and management fees as paid based on market prices	–	314	50.98	–	–	–
	Welfare support and maintenance	Costs of labor and materials and management fees as paid according to their market price	–	92	91.42	–	–	–
	Environmental protection and security monitoring	State price	–	0.3	58.07	–	–	–
	Business reception and meeting expenses	Market price	–	0.8	35.56	–	–	–
	Greening services	Costs of labor and materials and management fees as paid based on market prices	–	13	100.00	–	–	–
	Port agency services	–	–	103	100.00	–	–	–
	Sub-total	–	–	1,350	55.53	6,000	No	–

Type	Details	Pricing principle	Price *(RMB)*	Amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap approved *(RMB million)*	Whether exceeding approved cap	Market price of available similar transactions
Buyout of steel products from the connected party	Steel products	Determined based on the price offered by Angang Steel to third parties deducting a commission of RMB20–35/ton	–	6	100.00	550	No	–
Sale of goods to the connected party	Steel products	The selling price charged by the Group to the independent third parties; for provision of aforesaid products for the development of new products by the other party, the price is based on the market price if the market price exists; if the market price is absent, the price is based on the principle of the cost plus a reasonable profit, while the reasonable profit rate is not higher than the average gross profit margin of related products provided by the relevant member company	RMB3,466/ton	225	0.63	–	–	–
	Molten iron		RMB2,247/ton	57	100.00	–	–	–
	Coke		RMB1,010/ton	18	90.27	–	–	–
	Chemical by-products		–	36	3.67	–	–	–
	Sub-total	–	–	336	0.90	5,050	No	–
Sale of scrap and obsolete material to the connected party	Scrap	Market price	–	114	56.69	–	–	–
	Obsolete materials		–	1	14.29	–	–	–
	Sub-total	–	–	115	54.85	305	No	–
Provision of comprehensive services to the connected party	Fresh water	State price	RMB3.19/ton	17	94.34	–	–	RMB3.19/ton
	Clean recycled water	Market price or production cost plus a gross profit margin of not lower than 5%	RMB0.75/ton	4	38.78	–	–	–
	Gas		RMB44.54/GJ	242	85.30	–	–	–
	Blast furnace gas		RMB20/GJ	154	99.53	–	–	–
	Steam		RMB52/GJ	12	70.92	–	–	RMB52/GJ
	Nitrogen		RMB200/km^3	1	40.28	–	–	–
	Oxygen		RMB504/km^3	0.5	80.01	–	–	–
	Argon		RMB1000/km^3	0.3	96.21	–	–	–
	Compressed air		RMB106/km^3	0.2	24.70	–	–	–
	Used hot water		RMB27.92/GJ	44	96.37	–	–	RMB27.43/GJ
	Liquid nitrogen		RMB448/ton	4	100.00	–	–	RMB448/ton
	Liquid oxygen		RMB410/ton	9	100.00	–	–	RMB410/ton
	Liquid argon		RMB661/ton	2	100.00	–	–	RMB661/ton
	Product testing services	Market price	–	2	57.03	–	–	–
	Transportation services		–	0.08	100.00	–	–	–
	Sub-total		–	492	38.79	1,450	No	–

Relevant explanation on connected party transactions	As production in the iron and steel industry is on a continuous basis, Angang Holding 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, abandoned steel, abandoned materials and integrated services to Angang Holding which is a client of the Company.
Reason for the difference between transaction price and market reference price	The prices of iron concentrate and Karara magnetite were higher than the market price as there was a difference between their grades. The grade of iron concentrate and Karara magnetite from Angang Group purchased by the Company was around 67% while that of the imported iron ore for large and medium iron and steel enterprise of the China Iron and Steel Association was 61.69% in average, thus resulting in a difference of approximately RMB50/ton.

B. Connected party: Angang Financial Company

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

Settlement method of the connected party transaction: Cash payment

Type	Details	Pricing principle	Price	Amount *(RMB million)*	As a Percentage of the amount of similar transactions *(%)*	Transaction cap approved *(RMB million)*	Whether exceeding the approved cap
Financial services provided to the Company by the connected party	Interest on settlement fund deposits	Based on the benchmark annual interest rates on agreement deposits as stipulated by the People's Bank of China	–	7	26.07	50	No
	Maximum daily balance of deposit (including accrued interests)	–	–	1,995	–	2,000	No
	Interest payable on credit business	Not higher than the interest rate obtained by the Group from commercial banks during the same period	–	2	0.32	150	No
	Interest payable on entrusted loans		–	–	–	100	No
Relevant explanation on the connected transactions	The Company utilized the free settlement platform provided by Angang Financial Company and deposited a part of 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 a safe protection for the capital of the Company. The Company 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 break down 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 function 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.						

C. Connected 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)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether exceeding approved cap	Market price of available similar transactions
Purchase of raw materials from the connected party	Alloy	Market price	RMB100,036/ton	15	0.78	–	–	–
	Total		–	15	0.78	1,890	No	–
Relevant explanation on connected transactions	Pangang Vanadium & Titanium supplied alloy for the Company at the market price, which provided guarantee for the Company in obtaining continuous and stable supply of raw materials.							

2. 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 at 30 June 2017, bank borrowings of RMB40 million were guaranteed by Angang Holding whereas bank borrowings of RMB1,000 million were guaranteed by Angang Group Company.

(III) Non-operating use of the capital of the listed company by the controlling shareholder and its connected parties

During the Reporting Period, there was no non-operating use of the capital of the listed company by the controlling shareholder and its connected parties.

(IV) 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 out agreement during the Reporting Period.

(3) Leasing

The Company did not enter into any significant 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.

(V) 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**"), 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 reviewed its corporate governance practices from time to time. Save as set out below, the Company 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 2017.

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, 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 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 has been made in respect of the Directors.

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

Anshan City, Liaoning Province, the PRC
28 August 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

* *For identification purposes only*