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)

2019 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB51,074 million
- Total profit amounted to RMB1,846 million
- Net profit attributable to shareholders of the Company amounted to RMB1,425 million
- Basic earnings per share amounted to RMB0.152 (January to June in 2018: adjusted basic earnings per share of RMB0.472)
- The financial information contained in this report was prepared in accordance with the Accounting Standards for Business Enterprises in the PRC

The board of directors of the Company (the "Board") is pleased to announce the unaudited results of the Company and its subsidiaries under control for the six months ended 30 June 2019 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:

Term	Meaning
"Company" or "Angang Steel"	Angang Steel Company Limited* (鞍鋼股份有限公司)
"Group"	Angang Steel Company Limited* and its subsidiaries
"Angang Holding"	Anshan Iron & Steel Group Co. Ltd.
"Angang"	Anshan Iron and Steel Group Corporation* (鞍鋼集團有限公司)
"Angang Group"	Anshan Iron and Steel Group Corporation and its subsidiaries held by it as to 30% or more (excluding the Group)
"ANSC-TKS"	ANSC-TKS Automobile Steel Company Ltd. (鞍鋼蒂森克虜伯汽車鋼有限公司)
"Angang Financial Company"	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
"Angang Chaoyang"	Angang Group Chaoyang Iron & Steel Company Limited* (鞍鋼集團朝陽鋼鐵有限公司)
"Bayuquan Iron & Steel Branch Company"	Bayuquan Iron & Steel Branch Company* (鮁魚圈鋼鐵分公司) of Angang Steel
"Pangang Vanadium & Titanium"	Pangang Group Steel Vanadium & Titanium Co., Ltd* (攀鋼集團釩鈦資源股份有限公司)

"Pangang Vanadium &Titanium Group"	Pangang Group Steel Vanadium & Titanium Co., Ltd 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" or "China"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region)

I. FINANCIAL INFORMATION

Consolidated Balance Sheet
As at 30 June 2019

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

Items	*Notes*	**30 June 2019**	31 December 2018
Current assets:			
Cash and cash equivalents		**1,781**	2,154
Financial assets at fair value through profit or loss			
Derivative financial assets			1
Notes receivable		**5,063**	7,184
Accounts receivable	2	**2,870**	2,460
Prepayments		**1,713**	1,408
Other receivables		**18**	50
Including: interests receivable			
dividends receivable			
Inventories		**14,110**	13,125
Contract assets			
Other current assets		**546**	526
Total current assets		**26,101**	26,908

Items	*Notes*	**30 June 2019**	31 December 2018
Non-current assets:			
Available-for-sale financial assets			
Long-term equity investments		**2,798**	2,803
Other investments in equity instruments		**470**	519
Other non-current financial assets		**45**	35
Fixed assets		**48,989**	50,064
Construction in progress		**2,488**	1,458
Intangible assets		**6,242**	6,315
Deferred income tax assets		**666**	781
Other non-current assets		**1,549**	1,141
Total non-current assets		**63,247**	63,116
Total assets		**89,348**	90,024

Items	*Notes*	**30 June 2019**	31 December 2018
Current liabilities:			
Short-term loans		**14,795**	13,180
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities		**30**	3
Notes payable		**1,942**	1,400
Accounts payable	3	**6,720**	7,663
Advances from customers			
Contract liabilities		**5,041**	4,795
Employee benefits payable		**237**	183
Tax payable		**(34)**	589
Other payables		**2,398**	2,286
Including: interests payable		**11**	9
dividends payable			
Non-current liabilities due within 1 year		**103**	2,648
Other current liabilities		**634**	
Total current liabilities		**31,866**	32,747

Items	*Notes*	**30 June 2019**	31 December 2018
Non-current liabilities:			
Long-term loans		**2,744**	2,295
Bonds payable		**1,608**	1,574
Long-term employee benefits payable		**95**	97
Deferred income		**601**	630
Deferred income tax liabilities		**80**	77
Other non-current liabilities		**92**	139
Total non-current liabilities		**5,220**	4,812
Total liabilities		**37,086**	37,559
Shareholders' equity:			
Share capital		**9,405**	7,235
Capital reserve		**33,485**	35,655
Other comprehensive income		**(139)**	(241)
Special reserve		**96**	49
Surplus reserve		**3,628**	3,628
Undistributed profit	4	**5,284**	5,636
Subtotal of Shareholders' equity attributable to shareholders of parent company		**51,759**	51,962
Minority interests		**503**	503
Total shareholders' equity		**52,262**	52,465
Total liabilities and shareholders' equity		**89,348**	90,024

Legal representative: **Wang Yidong**

Chief Accountant: **Ma Lianyong**

Controller: **Gong Jin**

Consolidated Income Statement
For the six months Ended 30 June 2019

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

Items	*Notes*	This period	Last period
1. Operating income		**51,074**	50,862
Including: operating income	5	**51,074**	50,862
2. Operating costs		**49,423**	45,572
Less: operating costs	5	**45,962**	42,033
Tax and surcharges	6	**472**	625
Marketing expenses		**1,539**	1,549
Administrative expenses		**615**	524
Research and development expenses		**214**	145
Financial expenses	8	**621**	696
Including: interests expenses	8	**631**	705
interests revenue	8	**22**	11
Add: Other income		**36**	23
Investment income (“-” for losses)		**75**	183
Including: income from investment in jointly ventures and associates		**70**	155
Gains/losses from fair value variation (“-” for losses)		**29**	(9)
Impairment losses on assets (“-” for losses)		**97**	(26)
Credit impairment loss (“-” for losses)		**(27)**	(6)
Asset disposal income (“-” for losses)		**1**	8
3. Operating profit (“-” for losses)		**1,862**	5,463
Add: Non-operating income		**12**	10
Less: Non-operating expenses		**28**	49
4. Profit before income tax (“-” for losses)		**1,846**	5,424
Less: Income tax expenses	9	**422**	989

Items	*Notes*	**This period**	Last period
5. Net profit for the period ("-" for losses)		**1,424**	4,435
Classification according to the continuity of operation			
i. Continuous operating net profit ("-" for losses)		**1,424**	4,435
ii. Termination of net profit ("-" for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		**1,425**	4,441
ii. Minority interest income		**(1)**	(6)
6. The net amount after tax of other comprehensive income		**(83)**	14
Net after-tax net of other comprehensive income attributable to the parent company owner		**(83)**	14
I. The other comprehensive income which can not be reclassified into profit or loss		**(83)**	13
i. Changes in fair value of other investments in equity instruments investment		**(83)**	13
II. The other comprehensive income which can be classified into profit or loss			1
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			1
ii. The profit or loss from the change at fair value of available-for-sale financial assets			
Net after-tax net of other comprehensive income attributable to minority shareholders			

Items	*Notes*	**This period**	Last period
7. Total comprehensive income		**1,341**	4,449
The other comprehensive income attributed to the owners of the company		**1,342**	4,455
The other comprehensive income attributed to the minority		**(1)**	(6)
8. Earning per share:			
Basic earning per share *(RMB/share)*	10	**0.152**	0.472
Diluted earning per share *(RMB/share)*	10	**0.146**	0.471

Legal representative:	*Chief Accountant:*	*Controller:*
Wang Yidong	**Ma Lianyong**	**Gong Jin**

30 June 2019 (Expressed in million RMB unless otherwise indicated)

1. BASIC PREPARATION OF FINANCIAL STATEMENTS

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 (abbreviated as ASBE) (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 regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

According to the relevant provisions of Accounting Standards, the Group adopted an accrual accounting basis. Except for certain financial instruments, the financial statements are reported at historical cost. If assets are impaired, relevant provisions are made in accordance with relevant standards.

2. ACCOUNTS RECEIVABLE

(1) Classification of Accounts Receivable

Items	30 June 2019				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	**83**	**2.81**	**82**	**98.80**	**1**
Account receivable for which bad debt is prepared based on group combination	**2,870**	**97.19**	**1**	**0.03**	**2,869**
including: Risk-free group combination	**953**	**32.27**			**953**
Risk group combination on the basis of ageing-matrix	**1,917**	**64.92**	**1**	**0.05**	**1,916**
Total	**2,953**	**100.00**	**83**	**2.81**	**2,870**

Items	31 December 2018				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	83	3.26	82	98.80	1
Account receivable for which bad debt is prepared based on group combination	2,460	96.74	1	0.04	2,459
including: Risk-free group combination	828	32.56			828
Risk group combination on the basis of ageing-matrix	1,632	64.18	1	0.06	1,631
Total	2,543	100.00	83	3.26	2,460

(2) Accounts receivable subject to separate assessment for bad debts provision

Debtors	**30 June 2019**			
	Book Value	**Bad Debt Provision**	**Percentage** (%)	**Reason**
Anshan Zhongyou Tianbao Steel Tube Co., Ltd.	**67**	**66**	**99**	Business is in trouble. It does not have repayment ability
Dongbei Special Steel Group Dalian material trading Co., Ltd	**15**	**15**	**100**	The company has gone into liquidation
Other	**1**	**1**	**100**	The production line is discontinued. etc
Total	**83**	**82**	**–**	**–**

(3) Accounts Receivable for which bad debt is prepared based on ageing-matrix risk group combination

Aging	**30 June 2019** Book Value	**30 June 2019** Bad Debt Provision	**30 June 2019** Percentage (%)	31 December 2018 Book Value	31 December 2018 Bad Debt Provision	31 December 2018 Percentage (%)
Within 1 year	**1,801**		**0**	1,625		0
1 to 2 years	**110**		**3.2**	5		3.2
2 to 3 years	**5**		**9.9**	1		9.9
3 to 4 years			**28.9**			28.9
4 to 5 years			**37.7**			37.7
Over 5 years	**1**	**1**	**100.00**	1	1	100.00
Total	**1,917**	**1**	**–**	1,632	1	–

(4) Accounts Receivable classified by aging

Aging	**30 June 2019**	31 December 2018
Within 1 year	**2,677**	2,402
1 to 2 years	**121**	17
2 to 3 years	**25**	17
3 to 4 years	**42**	32
4 to 5 years	**68**	74
Over 5 years	**20**	1
Total	**2,953**	2,543

Note: the above aging analysis is based on the invoice date.

(5) Bad debt provision

Type	31 December 2018	Increase/Decrease: Bad debt provision	Increase/Decrease: Reverse	Increase/Decrease: Resale or verification	30 June 2019
Accounts Receivable	83				**83**

(6) Accounts receivable written off this period

No accounts receivable were written off this period.

(7) The condition of accounts receivable of the top five debtors by the balances as of 30 June 2019

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB1,429 million as of 30 June 2019, which accounted for 48.39% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to 0 at 30 June 2019.

3. ACCOUNTS PAYABLE

(1) Aging of accounts payable

Items	**30 June 2019** Balance	**30 June 2019** Percentage *(%)*	31 December 2018 Balance	31 December 2018 Percentage *(%)*
Within 1 year	**6,630**	**98.67**	7,563	98.70
1 to 2 years	**5**	**0.07**	15	0.20
2 to 3 years	**3**	**0.04**	5	0.07
Over 3 years	**82**	**1.22**	80	1.03
Total	**6,720**	**100.00**	7,663	100.00

Note: the above aging analysis is based on the invoice date.

(2) Significant account payable aging over 1 year

Creditors	Balance owe	Aging
Tangyuan Tianyu Coal & Coke Energy Co., Ltd.	61	3 to 4 years, over 5 years
Total	61	

4. UNDISTRIBUTED PROFIT

Items	This period
31 December 2018	**5,636**
Changes in accounting policies	
1 January 2019	**5,636**
Increase of the period	**1,425**
Including: Net profit transferred this period	**1,425**
Other adjustment factors	
Decrease of the period	**1,777**
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions in this period	
Distribution of cash dividend this period *(Note 1)*	**1,592**
Conversed capital	
Other decreases *(Note 2)*	**185**
30 June 2019	**5,284**

Note 1: According to the resolution of the 2018 Annual General Meeting of Shareholders held on May 28, 2019, the Company distributed cash dividends to all shareholders at RMB0.22 per share. According to the issued shares of 7,234,807,847 shares, it's totaling RMB1,592 million. All of them have been released as of 30 June 2019.

Note 2: Other decrease RMB185 million of undistributed profit for the period was the Company's write-off of other investments in equity instrument of Tianjin Angang Tiantie Cold Rolled Sheet Co., Ltd. Changes in fair value that have been included in other comprehensive income in previous years are transferred to undistributed profits for the period at the time of write-off.

5. OPERATING INCOME AND OPERATING COSTS

(1) Classified by production

Items	This period		Last period	
	Income	**Cost**	Income	Cost
Prime operating	**50,808**	**45,725**	50,758	41,948
Other operating	**266**	**237**	104	85
Total	**51,074**	**45,962**	50,862	42,033

Note: The Group is classified into an operating segment based on the type of business: production and sale of steel products.

(2) Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	**47,325**	47,909
Foreign exchange income from outside borders	**3,749**	2,953
Total	**51,074**	50,862

(3) Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirm at a certain point	**51,074**	50,862
Total	**51,074**	50,862

6. TAX AND SURCHARGES

Items	**This period**	Last period
City maintenance and construction tax	**53**	146
Educational surcharge and local educational surcharge	**38**	105
Land use tax	**215**	206
Property tax	**76**	75
Stamp tax	**45**	40
Resources tax	**1**	1
Environmental protection tax	**44**	52
Total	**472**	625

7. DEPRECIATION AND AMORTIZATION

Items	**This period**	Last period
Depreciation of fix assets	**1,749**	1,711
Amortization of intangible assets	**89**	86
Total	**1,838**	1,797

8. FINANCIAL EXPENSES

Items	**This period**	Last period
Interest expense	**646**	708
Including: Interests expense from the long-term loans and long-term bonds	**122**	159
Interests expense from the long-term loans and letters of credit	**340**	387
Other interest expenditures	**184**	162
Less: Interest income	**22**	11
Less: Capitalized interest expense	**15**	3
Exchange gain or loss	**6**	(9)
Less: Capitalized exchange gain or loss		
Others	**6**	11
Total	**621**	696

9. INCOME TAX EXPENSES

(1) Income tax expenses

Items	**This period**	Last period
Income tax during this period	**338**	292
Changes on deferred income tax expenses	**84**	697
Others		
Total	**422**	989

(2) The reconciliation between accounting profit and income tax expenses

Items	**This period**
Total profit	1,846
Income tax expenses calculated at statutory/applicable tax rates	462
Effect of different tax rates applied by subsidiary companies	
Effect of adjustments for income tax for prior period	(12)
Effect of income not subject to tax	(48)
Effect of costs, expenses and loss not deductible for tax purpose	
Effect of deductible loss of deferred income tax assets not recognized in prior periods	
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	25
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	
Others	(5)
Income tax expenses	422

10. RETURN ON EQUITY (ROE) AND EARNINGS PER SHARE (EPS)

Profit in this period	Weighted average (ROE) *(%)*	EPS (Yuan per share) Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	2.70	0.152	0.146
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	2.59	0.145	0.140

11. SEGMENT INFORMATION

Note: The Group is classified into an operating segment based on the type of business: production and sale of steel products.

12. COMMITMENTS

Items	**30 June 2019**	31 December 2018
Investment contracts entered but not yet performed or performed partially		
Construction and renovation contracts entered but not yet performed or performed partially	**1,197**	2,977
Total	**1,197**	2,977

13. NET CURRENT ASSETS

Items	**30 June 2019**	31 December 2018
Current assets	**26,101**	26,908
Less: Current liabilities	**31,866**	32,747
Net current assets/(liabilities)	**(5,765)**	(5,839)

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	**30 June 2019**	31 December 2018
Total assets	**89,348**	90,024
Less: Current liabilities	**31,866**	32,747
Total assets less current liabilities	**57,482**	57,277

II. REPORT OF THE BOARD OF DIRECTORS

(I) Overview

In the first half of the year, the year-on-year decrease of steel prices and significant year-on-year increase of iron ore prices in domestic market severely squeezed the profit-making space of steel and iron enterprises. Against the austere situation, the Company's focusing on three key elements, efficiency, quality and reform, was to strive for expansion of production scale, enhance lean production management, improve product mix, while accelerating the innovation in technology.

In the first half of the year, the Group achieved an operating income of RMB51,074 million, representing an increase of 0.42% over the corresponding period of the previous year. The total profit reached RMB1,846 million, representing a decrease of 65.97% over the corresponding period of the previous year. The net profit attributable to shareholders of the Company was RMB1,425 million, representing a decrease of 67.91% over the corresponding period of the previous year. The basic earnings per share was RMB0.152, representing a decrease of 67.80% over the corresponding period of the previous year.

1. Stabilizing the growth of production and reducing costs to vigorously improve operating efficiency

During the Reporting Period, the Group produced 12,976,000 tons of iron, representing an increase of 4.66% over the corresponding period of the previous year; 13,696,900 million tons of steel, representing an increase of 4.86% over the corresponding period of the previous year; and 12,742,000 million tons of rolled steel, representing an increase of 7.32% over the correspond period of the previous year. Sale of rolled steel amounted to 12,472,700 million tons, representing an increase of 7.28% as compared with the corresponding period of the previous year. The Group achieved a sales-output ratio of 97.89%.

In the first half of the year, by strengthening the coordination among the three regions and three lines, namely Anshan Headquarters, Bayuquan and Chaoyang, promoted the concurrent development of "coke, iron and steel" the Company production, and achieved a stable and efficient production as a whole.

The Company was developing a new crucial system for reducing cost with respect to material flow, energy flow and cost flow. Pursuing cost effective procurement and material life cycle management was designated to increase the ratio of online procurement for stable supply of quality materials. Multimodal transportation of railway, road and sea and the action of lowering logistics amount further reduced the logistics cost per ton of steel. The Company enhanced the recycling of residual heat and energy, and increased the speed of constructing key energy projects besides optimizing the operation of energy systems. In the first half of the year, the cost of outsourcing energy, comprehensive energy and fresh water consumption for each ton of steel reached the best level in history.

2. *Converging momentum and promoting transformation to hasten growth of diverse industries*

The main business of iron and steel achieved a steady development. The Company based on the standards of domestic iron and steel enterprises in the industry to learn their sophisticated experience, so as to plan for the future development of Bayuquan base. More efforts having been put, the upgrading of equipment in production lines accelerated with respect of product adjustment and quality improvement, energy conservation and environmental protection, green production and intelligent manufacturing.

Relevant industries were accelerated for growth. The Company was rapid at developing the energy technology industry by steadily promoting the sales of steam of Kerry Oils & Grains, acquisition of secondary hydrogen and hydrogen pressuring stations. It also was active in promoting technological innovation by intensifying the development and utilization of hydrogen energy. Projects in the clean power generation industry progressed fast with the 180MW CCPP project being expected to be commissioned for official run in October. The industrial layout of chemical technology was fine-tuned while the industry chain of chemical technology products was extended. The projects of needle cokes and carbon microspheres being completed as to their main constructions and ready for commissioning, marked an important step forward for Angang to tap into new carbon materials and to accelerate transformation and upgrading of the chemical industry. Speedy layout was witnessed in the high-end auto parts industry as the projects including small-caliber and thick-wall precision pipe-making and thermoforming were steadily carried out.

3. Focusing on reform and innovation to stimulate the dynamic of development

Market-oriented operation mechanism was becoming increasingly perfect. The scope of contracted operations was expanded by including three medium and thick plates production lines and universal lines in large-sized plants into being contracted. The Company promoted market-driven management of external companies and contractual management of operating companies. Such reforms were carried out in respect of demutualization of the equipment and material procurement centers, market-oriented operation of the raw fuel procurement centers, and reduction of the energy management control centers. A differentiated performance evaluation system was being established.

Intelligent manufacturing was sped up. The Company promoted the construction of information and intelligence-based projects, and steadily implemented the transformation integration of production and sales, and big data analysis of the full process quality.

The development was led by technological innovation. More efforts were endeavored on product research and development, DP980-LITE was developed and launched as the world's first light dual phase steel. 2000MPa-grade bainite wear-resistant steel boasting of the highest strength has filled in the blank of Angang in the field of super-strength wear-resistant steel.

4. Improving quality and building brands to enhance core competitiveness

The product quality was improved. In order to fully implement the three-year quality improvement plan and promote quality and efficiency upgrading in key areas and of key varieties, the Company invested more special-purpose funds in continuing with key quality projects. First-pass ratio of billets, first-pass ratio of steels and comprehensive yield rate of steels were significantly higher than those in 2018. The proportions of new products, leading unique products and strategic products and their market shares continued to increase.

Brand building strategy was executed. The "1+4+N" marketing model was improved and a coordinated platform for automobile steel was established to deepen presence in the Northeast China. Through identifying key engineering projects, the Company has successfully bid for the pile foundation of Shenzhen-Zhongshan Bridge, Datang Wind Power Plant, Jinhai Bridge project, and the project of diverting water from the Yangtze River to Huaihe River. The Company strengthened brand promotion by participating in the 19th China International Metallurgical Industry Exhibition and other large-scale exhibitions. High Performance Steels for Super Large Container Ships won the Award for Product Development and Market Development of the China Iron and Steel Industry in 2018. Customer demand was archived and by making full use of information technology, a rapid response mechanism was established to quickly address users' concerns on quality defect and delivery time. The major customer experience indicators system was perfected, under which 12 customer experience quantitative indicators were determined, 84% of which was achieved. The Company won BYD Strategic Partner Award, Haier Excellent Supplier "Golden Rubik's Cube" Award, Guangzhou Automobile Chuanqi Excellent Cooperation Award, etc.

5. Preventing risk and valuing environmental protection to enhance sustainability

The Company guarded against a variety of risks. It adhered to the principle of "reducing two types of amounts, increasing two kinds of rates, and operating with zero liability". The Group's gearing ratio decreased to 41.51% as at the end of June. Futures instruments were utilized to avoid market risk effectively. Activities themed with production safety month were carried out to strengthen the management of relevant parties, and pursue standard safety management.

Green manufacturing was implemented. The environmental plan was formulated for the period from 2018 to 2020, pursuant to which the construction of 47 environmental protection projects was promoted with every effort. Dust control in the plant area was further strengthened and none of major environmental pollution accident was recorded. A forest-type green ecological chemical plant was commenced for construction.

(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	**51,074**	50,862	0.42	–
Operating costs	**45,962**	42,033	9.35	–
Marketing expenses	**1,539**	1,549	-0.65	–
Administrative expenses	**615**	524	17.37	–
Financial expenses	**621**	696	-10.78	–
Income tax expenses	**422**	989	-57.33	Mainly attributable to the decrease in total profit as compared to the corresponding period of the previous year.
Research and development expenses	**214**	145	47.59	Mainly attributable to increased efforts on the research and development of new products.

Item	The reporting period	Corresponding period of the previous year	Year-on-year increase/ decrease *(%)*	Reasons for the changes
Net cash flow from operating activities	**3,765**	2,411	56.16	Net cash flow from operating activities increased by RMB1,354 million as compared with the corresponding period of the previous year, mainly attributable to (i) the cash received from sales of goods increased by RMB5,723 million; (ii) the cash payment for purchase of goods and services increased by RMB5,629 million as compared with the corresponding period of the previous year as a result of the rise in raw fuels price; (iii) tax payment decreased by RMB823 million during the reporting period as compared with the corresponding period of the previous year; and (iv) other cash payments related to operating activities decreased by RMB209 million as compared with the corresponding period of the previous year.
Net cash flow from investing activities	**-1,588**	-818	-94.13	Net cash flow from investing activities decreased by RMB770 million as compared with the corresponding period of the previous year, mainly attributable to (i) the cash received from investment income decreased by RMB60 million as compared with the corresponding period of the previous year; (ii) the cash paid for acquisition of fixed assets and intangible assets increased by RMB643 million as compared with the corresponding period of the previous year; (iii) the cash payment for investment increased by RMB49 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 financing activities	**-2,550**	374	-781.82	Net cash flow from financing activities decreased by RMB2,924 million as compared with the corresponding period of the previous year, mainly attributable to (i) the cash received from borrowings during the reporting period decreased by RMB3,373 million as compared with the corresponding period of the previous year; (ii) the cash payment for repayment of borrowings decreased by RMB379 million as compared with the corresponding period of the previous year; (iii) the cash payment for dividend distribution and interest payment decreased by RMB303 million as compared with the corresponding period of the previous year.
Net increase of cash and cash equivalents	**-373**	1,982	-118.82	Net increase of cash and cash equivalents decreased by RMB2,355 million as compared with the corresponding period of the previous year, mainly attributable to (i) the net cash flow from operating activities increased by RMB1,354 million as compared with the corresponding period of the previous year; (ii) the net cash flow from investing activities decreased by RMB770 million as compared with the corresponding period of the previous year; (iii) the net cash flow from financing activities decreased by RMB2,924 million as compared with the corresponding period of the previous year; and (iv) the effect of exchange rate fluctuation on cash flow decreased by RMB15 million as compared with the corresponding period of the previous year.

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

During the reporting period, there was no significant 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 costs	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	50,808	45,725	10.00	0.10	9.00	-7.35
By product						
Hot-rolled sheets products	15,387	13,142	14.59	-2.71	7.45	-8.07
Cold-rolled sheets products	16,359	15,093	7.74	-2.40	8.78	-9.49
Medium-thick plates	8,415	7,633	9.29	5.87	10.63	-3.91
By geographical location						
China	47,059	42,171	10.39	-1.56	7.21	-7.33
Export sales	3,749	3,554	5.20	26.96	35.91	-6.24

Note:

(1) The operating income of hot-rolled sheets and cold-rolled sheets products decreased as compared with the corresponding period of the previous year, mainly due to lower product prices.

(2) The operating income of medium-think plates products increased as compared with the corresponding period of the previous year, mainly due to the increase in sales volume exceeding the decline in product prices.

(3) The operating costs of full range of products increased as compared with the corresponding period of the previous year, primarily due to rising raw fuel prices.

4. *Liquidity and financial resources*

As at 30 June 2019, the Group had long-term loans (exclusive of loans due within one year) of RMB2,744 million with interest rates ranging from 4.2892 to 4.75% per annum and terms ranging from 3 to 5 years. These loans, falling due in 2023, are mainly used for replenishing the working capital of the Group. The Group's long-term loans due within one year amounted to RMB103 million.

With good credit standing, the Group was reviewed and assigned a long-term credit rating of "AAA" 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) in 2019. The Group is able to repay its debts as they fall due.

As at 30 June 2019, the Group had a total capital commitment of RMB1,197 million, which was primarily attributable to the construction and renovation contracts entered into but not yet performed or partially performed.

5. *Foreign exchange risk*

The Group carries out import and export through agent trade by Angang Group International Economic and Trade Co., Ltd. for its main foreign currency transactions, including the export of sales products, import of raw materials for production and engineering equipment. Foreign currency risk is mainly reflected in the impact of exchange rate changes when settling through agent on sales and procurement costs.

The Group has issued H-share convertible bonds in an aggregate amount of HK$1.85 billion, which exposed the Group to foreign exchange risk arising from the exchange rate fluctuations of RMB to HKD upon redemption of such bonds that were not converted.

(III) Analysis of Non-Principal Businesses

Unit: RMB million

	Amount	**As a percentage of total profit** *(%)*	**Reasons for the changes**	**Sustainable or not**
Investment income	75	4.06	Mainly included investment income from long-term equity investments accounted for using equity method, investment income from derivative financial assets and dividend income from other equity instrument investments during the holding period	Yes
Asset impairment losses	97	5.25	Mainly due to the reversal of impairment for inventories	No

(IV) Assets and Liabilities

1. *Significant changes in composition of assets*

Unit: RMB million

	30 June 2019		31 December 2018			
	Amount	**As a percentage of total assets** *(%)*	Amount	As a percentage of total assets *(%)*	**Increase/ Decrease (percentage point)**	**Explanation for significant changes**
Monetary capital	**1,781**	**1.99**	2,154	2.39	-0.40	–
Notes receivable	**5,063**	**5.67**	7,184	7.98	-2.31	–
Accounts receivables	**2,870**	**3.21**	2,460	2.73	0.48	–
Inventories	**14,110**	**15.79**	13,125	14.58	1.21	–
Long-term equity investments	**2,798**	**3.13**	2,803	3.11	0.02	–
Fixed assets	**48,989**	**54.83**	50,064	55.61	-0.78	–
Construction in progress	**2,488**	**2.78**	1,458	1.62	1.16	–
Short-term loans	**14,795**	**16.56**	13,180	14.64	1.92	–
Long-term loans	**2,744**	**3.07**	2,295	2.55	0.52	–

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 value reported in equity	Impairment provision made for the period	Purchases during the period	Disposals during the period	Closing balance
Financial assets							
Including:							
1. Financial assets held for trade (excluding derivative financial assets)	35	10	–	–	–	–	**45**
2. Derivative financial assets	1	-1	–	–	–	–	**0**
3. Other debt investment	–	–	–	–	–	–	**–**
4. Other equity instrument investments	519	–	-138	–	–	–	**470**
Sub-total of financial assets	555	9	-138	–	–	–	**515**
Investment properties	–	–	–	–	–	–	**–**
Productive biological assets	–	–	–	–	–	–	**–**
Others	–	–	–	–	–	–	**–**
Total	555	9	-138	–	–	–	**515**
Derivative financial liabilities	3	27	–	–	–	–	**30**

Material changes in measurement of major assets during the reporting period

☐ Yes ☑ No

3. Gearing ratio

As at 30 June 2019 and 31 December 2018, the Group's equity-to-debt ratio was 1.41 times and 1.40 times, respectively.

4. Restrictions on assets as at the end of the reporting period

The Group pledged notes receivable with a carrying amount of RMB287 million to banks in the period to secure notes payable of RMB282 million. The term of the pledge is from January 2019 to November 2019.

5. Contingent liabilities

As at 30 June 2019, the Group had no contingent liabilities.

(V) Business Plan for the Second Half of 2019

1. Adhere to improvement in efficiency and benefits, to reinforce the solid base for development.

2. Adhere to the reform and innovation drives, to converge strong momentum for development.

3. Adhere to superior quality and service, to create a brand with premium development.

4. Adhere to the fulfillment of objectives and responsibilities, to create a favourable environment for development.

5. Adhere to the integration of party building and operations, to make a powerful guarantee for development.

(VI) Analysis of Investments

1. Overview

External investments

Investments for the reporting period *(RMB million)*	Investments for the corresponding period year *(RMB million)*	Change *(%)*
70	154	-54.55

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

Unit: RMB million

Stock type	Stock code	Stock Abbreviation	Initial Investment	Accounting measurements	Book value at the beginning of the period	Gains or losses on fair value change for the current period	Accumulative changes in fair value reported in equity	Purchase amount for the current period	Disposal amount for the current period	Loss or gain during the reporting period	Book value at the end of the period	Accounting item	Source of funds
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	35	10	–	–	–	10	45	Financial asset held for trading	Self-owned funds

(2) Derivatives investments

Unit: RMB million

Name of the derivatives investment operator	Relationship with the Group	Related party transaction or not	Type of derivatives investment	Initial investment amount of derivatives	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		139	852	1,241	–	185	0.35%	-4
Total				1	–	–	139	852	1,241	–	185	0.35%	-4

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 18 March 2019, the Resolution in Relation to the Company's 2019 Annual Hedging Business Amount was approved at the 53rd 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, operational 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 forecast 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 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 evaluation 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 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	Deformed bar and hot-rolled coil quoted on the Shanghai Futures Exchange; iron ore, coking coal and coke quoted on the Dalian Commodity Exchange; on 2 January 2019, the consecutive dominant contract settlement prices of deformed bar, hot-rolled coil, iron ore, coking coal and coke were RMB3,389/ton, RMB3,306/ton, RMB491.5/ton, RMB1,159.5/ton and RMB1,885/ton, respectively; on 28 June 2019, the consecutive dominant contract settlement prices of deformed bar, hot-rolled coil, iron ore, coking coal and coke were RMB4,044/ton, RMB3,934/ton, RMB833.5/ton, RMB1,388.5/ton and RMB2,065.5/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, iron ore, coking coal and coke were +RMB655/ton, +RMB628/ton, +RMB342/ton, +RMB229/ton and +RMB180.5/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 applicable laws and 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 the 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 risk 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	Principal activities	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Chaoyang Iron and Steel	Limited Liability Company	Iron and steel smelting，steel pressing And processing and distribution of steel products	8,000	4,972	3,732	4,279	480	360
NSC-TKS	Sino-foreign Cooperative venture	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	2,029	1,155	2,201	77	63
Angang Finance Corporation	Limited Liability Company	Deposit, lending and financing	4,000	20,565	6,754	461	227	190

(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 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

(XI) Securities Transactions by 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 Listing Rules.

(XII) Independent Non-Executive Directors

Throughout the reporting period, the Board had been in compliance with Rule 3.10(1) of the Hong Kong Listing Rules, which requires a company to maintain at least three independent non-executive directors, and Rule 3.10(2) of the Hong Kong Listing Rules, which requires one of the independent non-executive directors to possess professional qualifications or accounting or related financial management expertise.

(XIII) Audit Committee

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

The Audit Committee and the management have reviewed the accounting standards, principles and measurements adopted by the Company, and considered the related audit, internal control and the unaudited interim financial report for the six months ended 30 June 2019.

III. SIGNIFICANT MATTERS

(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) Explanation of Changes in Accounting Policies, Accounting Estimates and Accounting Method of the Group During this Year as Compared With the Financial Report of the Previous Year

1. Changes in accounting policies

1) Particulars of and reasons for the changes

In 2018 and 2019, the Ministry of Finance ("**MOF**") issued the following amendments to the Accounting Standards for Business Enterprises and relevant interpretations:

Accounting Standards for Business Enterprises No.21— Leasing(revised) ("**New Leasing Standard**")

The Notice on Revision of the General Format of 2019 Financial Statements of Business Enterprises (Cai Kuai [2019] No. 6)

The Group has adopted the above revised Accounting Standards for Business Enterprises and interpretations since 1 January 2019 and made adjustments to relevant accounting policies accordingly.

2) *Major Impacts of the changes*

A. New Leasing Standards

Pursuant to the requirements of the original leasing standard, the lease expenses of the operating lease assets are recognized as the relevant assets or expenses over the lease term. After the amendments, the lessee shall first identify whether there constitutes a lease, and the lease contracts satisfying the definition of a lease are accounted for as required by the New Leasing Standards. At initial recognition, the lease liabilities of the operating lease assets are recognized at the present value of the outstanding lease payments as on the commencement date of the lease while the right-of-use assets are recognized based on the lease liabilities and other costs (such as initial direct costs and restoration duties). For subsequent measurement, the right-of-use assets are depreciated and the depreciation charges are recognized, while at the same time, the interest expenses of the lease liabilities are recognized based on effective interest rate method. Meanwhile, the specific requirements for disclosure of financial reports are imposed in respected of related matters. There is no substantive material change in terms of leasing out, and finance leases.

All existing lease contracts of the Group are short leases for which the simplified approach is adopted, which has no significant impact on the financial statements of the Group. Meanwhile, the data of the financial statements have not been adjusted by the Group.

B. Presentation of Financial Statements

The Group prepared its 2019 interim financial statements in accordance with the format for financial statements specified by Cai Kuai [2019] No.6 and retrospectively adjusted the presentation of the related financial statements.

The relevant presentation adjustments are as follows:

Items affected in the consolidated balance sheet and the balance sheet of the Company:

Unit: RMB million

	Consolidated Balance Sheet				
Statement	**2018-12-31 before retroactively adjusting the new statement format**	**Impact of new statement format changes**	**2018-12-31 after retroactively adjusting the new statement**	**Impact of changes in accounting policies on new leasing standards**	**2019-1-1**
Assets：					
Notes receivable		7,184	7,184		7,184
Accounts receivable		2,460	2,460		2,460
Notes receivable and accounts receivable	9,644	-9,644	0		0
Liability:					
Notes payable		1,400	1,400		1,400
accounts payable		7,663	7,663		7,663
Notes payable and accounts payable	9,063	-9,063	0		0

	Balance Sheet				
Statement	2018-12-31 before retroactively adjusting the new statement format	Impact of new statement format changes	2018-12-31 after retroactively adjusting the new statement	Impact of changes in accounting policies on new leasing standards	2019-1-1
Assets：					
Notes receivable		6,249	6,249		6,249
Accounts receivable		3,239	3,239		3,239
Notes receivable and accounts receivable	9,488	-9,488	0		0
Liability:					
Notes payable		1,370	1,370		1,370
accounts payable		6,976	6,976		6,976
Notes payable and accounts payable	8,346	-8,346	0		0

Such changes of accounting policies would not have any impact on the items in the consolidated income statement and income statement of the Company for the current period.

2. Changes of accounting estimates

There was no change in accounting estimates of the Group at the end of the current period.

(III) Major Connected Transactions

The connected transactions set out below fall within the definition relating to "Connected Transaction" or "Continuing Connected Transaction" under Chapter 14A of the Hong Kong Listing Rules. Relevant connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

1. *Connected transactions related to daily operations*

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Holding	Controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	–	3,693	14.05	23,619	No	In cash	–
Angang Group Mining Gongchangling Co., Ltd,	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	–	2,025	7.71			In cash	–
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,349	5.13			In cash	–
Angang Group Anqian Mining Company Limited	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	–	731	2.78			In cash	–
Angang Group Guanbaoshan Mining Co. Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	–	594	2.26			In cash	–
Angang Holding International Economic and Trading	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	–	499	1.90			In cash	–
Pangang Vanadium & Titanium Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	–	219	0.83			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	–	384	1.47			In cash	–
Sub–total	–	–	Purchase main materials	–	–	9,495	36.13			–	–

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Anshan Steel Metallurgy Lucai Technology Co., Ltd. (鞍山鋼鐵冶金爐材科技有限公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	–	437	8.93	3,526	No	In cash	–
Angang Naihuo Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	–	397	8.11			In cash	–
Angang Roller Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle		109	2.23			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	–	399	8.16			In cash	–
Sub–total	–	–	Purchase auxiliary materials	–	–	1,342	27.43			–	–
Angang Holding	Controlling shareholder	Purchase goods/Receive services	Procurement of energy and power	Market principle	–	707	30.17	2,011	No	In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Procurement of energy and power	Market principle	–	22	0.94			In cash	–
Sub–total	–	–	Procurement of energy and power	–	–	729	31.11			–	–

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Delin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	–	745	13.87	6,411	No	In cash	–
Angang construction Consortium Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	–	319	5.94			In cash	–
Angang Holding	Controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	–	397	7.39			In cash	–
Angang Cold Rolled Steel Plate Co., Ltd. (Putian)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	–	255	4.75			In cash	–
Angang Group Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	–	310	5.77			In cash	–
Angang Group Energy–saving Technology Service Co., Ltd (鞍鋼集團節能技術服務有限公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	–	195	3.63			In cash	–
Angang Auto Transport Co., Ltd	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	–	113	2.10			In cash	–
Angang Metal Structure CO., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	–	107	1.99			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	–	688	12.80			In cash	–
Sub–total	–	–	Receive supporting services	–	–	3,129	58.24			–	–

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Delin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	–	392	0.80	5,179	No	In cash	–
Angang Green Resources Technology Co., Ltd.	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	–	302	0.62			In cash	–
Angang Construction Group Co., Ltd.	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	–	157	0.32			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	–	421	0.85			In cash	–
Sub–total	–	–	Sales of products	–	–	1,273	2.59			–	–
Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sell scrap steel material and abandoned material	Market principle	–	212	86.89	297	No	In cash	–
Sub–total	–	–	Sell scrap steel material and abandoned material	–	–	212	86.89			–	–
Angang Holding	Controlling shareholder	Sales of goods/ Provide services	Provide comprehensive services	Market principle	–	341	8.85	1,828	No	In cash	–
Angang Naihuo Co., Ltd.	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Provide comprehensive services	Market principle		106	2.75			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Provide comprehensive services	Market principle	–	35	0.92			In cash	–
Sub–total	–	–	Provide comprehensive services	–	–	482	12.52			In cash	–

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (*RMB million*)	As a percentage of the amount of similar transactions (*%*)	Transaction cap (*RMB million*)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interest	Market principle	–	17	77.27	50	No	In cash	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	–	3,480	–	3,500	No	–	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	–	30	17.21	250	No	In cash	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	–	13	100.00	120	No	In cash	–

Particulars on refund of bulk sale	–
Estimated total amount for continuing connected transactions to be conducted during the period and their actual implementing during the reporting period	During the reporting period, the total amount of continuing connected transactions of the Company did not exceed the relevant caps applicable to such types as specified under the Continuing Connected Transaction Agreements which were approved at the general meeting and the estimated amount of various continuing connected transactions at the beginning of the year.
Reason for the difference between transaction price and market reference price	–
Relevant explanation on connected transactions	As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its subsidiaries have a high technological level and service capabilities, which can provide necessary support services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company

2. Connected transactions in relation to asset or equity acquisition or disposal

There was no connected transaction in relation to acquisition or disposal of assets or equity during the reporting period.

3. Connected transactions in relation to joint external investments

There was no connected transaction in relation to joint external investments during the reporting period.

4. *Debts and obligations due from/owed to connected parties*

During the reporting period, the Company did not have any debts and obligations due from/owed to connected parties incurred from non-operating activities.

(IV) Use of the Capital of the Company by the Controlling Shareholder and its Connected Parties for Non-Operating Purposes

During the reporting period, neither the controlling shareholder nor its connected parties used the capital of the Company for non-operating purposes.

(V) Material Contracts and Their Performance

1. *Entrustment, contracting and leasing matters*

(1) Entrustment

The Company and Angang Holding entered into the Asset and Business Entrustment and Management Service Agreement approved at the general meeting of the Company, which is the specific agreement for execution under the approved Supply of Materials and Services Agreement (2019–2021). Pursuant to the Asset and Business Entrustment and Management Service Agreement, Angang Holding authorized the Company to conduct daily operation and management over the assets, businesses, future assets and business expansion of its unlisted controlled 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

There was no any contractual arrangement during the reporting period.

(3) Leasing

The Company used certain land assets of Angang Holding and its subsidiaries for its production and operation. Pursuant to the Land Lease Agreements entered into between the Company and relevant parties, the Company paid a land leasehold payment with reference to the market rates to Angang Holding and its subsidiaries, representing a total amount of RMB42.90 million in the first half of 2019.

During the reporting period, there was no lease which generated profit of more than 10% of the gross profit of the Company for 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.***

(VI) Corporate Governance of the Company

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the China Securities Regulatory Commission (the "**CSRC**"), the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange and the Corporate Governance Guideline of Listed Companies and the Guidelines for the Internal Control of Listed Companies of the Shenzhen Stock Exchange, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system. There is no difference between the Company's corporate governance practice and the Company Law and the relevant requirements of the CSRC.

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

The Company has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has 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 2019.

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

By Order of the Board
ANGANG STEEL COMPANY LIMITED*
Wang Yidong
Executive Director and Chairman of the Board

Anshan City, Liaoning Province, the PRC
30 August 2019

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

Executive Directors:	*Independent Non-executive Directors:*
Wang Yidong	Wu Dajun
Li Zhen Ma	Weiguo
Ma Lianyong	Feng Changli
Xie Junyong	Wang Jianhua

* *For identification purposes only*