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 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB105,587 million
- Total profit amounted to RMB1,972 million
- Profit attributable to shareholders of the Company amounted to RMB1,787 million
- Basic earnings per share amounted to RMB0.190 (2018: basic earnings per share amounted to RMB0.846 (after adjustment))
- The financial information contained in this announcement is prepared in accordance with the Accounting Standards for Business Enterprises in the PRC

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

"Company" or "Angang Steel"	Angang Steel Company Limited* (鞍鋼股份有限公司)
"Group"	Angang Steel Company Limited* (鞍鋼股份有限公司) and its subsidiaries
"Angang Holding"	Anshan Iron & Steel Group Co. Ltd., the controlling shareholder of the Company
"Anshan Iron & Steel Group Complex"	Angang Holding and its subsidiaries held by it as to 30% or more (excluding the Group)
"Angang"	Angang Group Company Limited* (鞍鋼集團有限公司), the ultimate controlling shareholder of the Company
"Angang Group"	Angang and its subsidiaries held by it as to 30% or more (excluding the Group)
"Angang Financial Company"	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
"Karara"	Karara Mining Limited (卡拉拉礦業有限公司*)
"Pangang Vanadium & Titanium"	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團釩鈦資源股份有限公司)
"Pangang Vanadium & Titanium Group"	Pangang Vanadium & Titanium and its subsidiaries
"Supply of Materials and Services Agreement (2019-2021)"	the Supply of Materials and Services Agreement (2019-2021) entered into between the Company and Angang, which was approved at the third extraordinary general meeting of the Company in 2018 on 18 December 2018
"Supply of Materials Agreement (2019-2021)"	the Supply of Materials Agreement (2019-2021) entered into between the Company and Pangang Vanadium & Titanium, which was approved at the third extraordinary general meeting of the Company in 2018 on 18 December 2018

"Financial Service Agreement (2019-2021)"	the Financial Service Agreement (2019-2021) entered into between the Company and Angang Financial Company, which was approved at the third extraordinary general meeting of the Company in 2018 on 18 December 2018
"Continuing Connected Transaction Agreements"	collectively, the Supply of Materials and Services Agreement (2019-2021), the Supply of Materials Agreement (2019-2021) and the Financial Service Agreement (2019-2021)
"Bayuquan Iron & Steel Branch Company"	Bayuquan Iron & Steel Branch Company* (鮁魚圈鋼鐵分公司) of Angang Steel
"Chaoyang Iron and Steel"	Angang Group Chaoyang Iron and Steel Co., Ltd. (鞍鋼集團朝陽鋼鐵有限公司)
"FAM Angang"	Changchun FAM Angang Steel Processing and Distribution Group Limited* (長春一汽鞍鋼鋼材加工配送有限公司)
"Chemical Technology"	Angang Chemical Technology Co., Ltd.* (鞍鋼化學科技有限公司)
"Energy Technology"	Angang Energy Technology Co., Ltd.* (鞍鋼能源科技有限公司)
"ASPD–CC"	Angang Steel Processing and Distribution (Changchun) Limited* (鞍鋼鋼材加工配送(長春)有限公司)
"Angang International Trade"	Angang Group International Economic and Trade Co., Ltd. *(鞍鋼集團國際經濟貿易有限公司)
"Angang Beijing Research Institute"	Angang Group Beijing Research Institute Co., Ltd. * (鞍鋼集團北京研究院有限公司)
"Delin Zhilian"	Delin Zhilian (Anshan) Co., Ltd.*(德鄰智聯(鞍山)有限公司)

PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Unit: RMB million

Items	2019	2018	Changes over the preceding year *(%)*	2017 Before adjustment	2017 After adjustment
Operating income	**105,587**	105,157	0.41	84,310	91,683
Operating profit	**2,025**	10,088	-79.93	5,526	6,359
Total profit	**1,972**	10,088	-80.30	5,480	6,313
Net profit attributable to shareholders of the Company	**1,787**	7,952	-77.53	5,605	6,638
Net profit attributable to shareholders of the Company after extraordinary items	**1,716**	6,633	-74.13	5,586	5,585
Net cash flow from operating activities	**10,020**	8,294	20.81	6,268	6,478
Basic earnings per share *(RMB/share)*	**0.190**	0.846	-77.54	0.596	0.706
Diluted earnings per share *(RMB/share)*	**0.187**	0.840	-77.74	0.596	0.706
Weighted average return on net assets (%)	**3.43**	14.82	Decreased by 11.39 percentage points	11.81	14.02

Items	**At the end of 2019**	At the end of 2018	Changes over the preceding year *(%)*	At the end of 2017 Before adjustment	After adjustment
Total assets	**87,808**	90,024	-2.46	89,204	94,886
Total liabilities	**35,260**	37,559	-6.12	38,818	42,174
Owner's equity attributable to shareholders of the Company	**52,709**	51,962	0.23	49,973	52,291
Assets-liability ratio *(%)*	**40.16**	41.72	Decreased by 1.56 percentage points	43.52	44.45
Total share capital	**9,405**	7,235	30.00	7,235	7,235

Reason for retrospective adjustment or restatement:

☐ Changes in accounting policies ☐ Accounting error adjustment

☑ Business combination under common control ☑ Other

1. the Company acquired Chaoyang Iron and Steel and Energy Technology from the business combination under common control and retrospectively adjusted the data for 2017.

2. The Company implemented the profit distribution of 2018 on 28 June 2019 to issue shares to all shareholders by way of capitalization of capital reserve on the basis of three(3) capitalisation shares for every ten(10) existing shares, and the share capital changed from 7,235 million shares to 9,405 million shares. Therefore, the basic earnings per share and diluted earnings per share in the previous period are recalculated according to the share capital after capitalisation.

Total share capital of the Company as at 26 March 2020:

Total share capital of the Company *(shares)*	9,405,250,201
Fully diluted earnings per share calculated based on the latest share capital *(RMB/share)*	0.190

Is there any corporate bond

☐ Yes ☑ No

MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB million

	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Operating income	24,463	26,611	26,549	27,964
Net profit attributable to shareholders of the Company	417	1,008	297	65
Net profit attributable to shareholders of the Company after extraordinary items	392	975	289	60
Net cash flow from operating activities	2,009	1,756	2,583	3,672

Whether there is substantial difference between the aforesaid financial indicators or their sum and those disclosed in the quarterly report and interim report.

☐ Yes ☑ No

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

Unit: RMB million

Items of Non-Recurring Gains and Losses	**2019**	2018	2017	Description
1. Gains/losses from disposal of non-current assets	**-54**	-103	-44	–
2. Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies and continuously entitled for standard amount or quantities	**83**	86	72	–
3. Net gains or losses of subsidiaries arising from business combination under common control from the beginning of the year to the date of combination	**–**	1,268	–	–
4. Net gains or losses of subsidiaries arising from business combination under common control for the previous year	**–**	–	1,034	–
5. Changes in fair value of financial assets held for trading	**3**	-5	–	–

Items of Non-Recurring Gains and Losses	2019	2018	2017	Description
6. Changes in fair value of other non-current liabilities (part of derivative financial instruments)	**60**	68	–	–
7. Achievement by steps of business combination under non-common control, the earnings from re-measurement of original equity at fair value	**–**	-22	–	–
8. Achievement by steps of business combination under non-common control, the earnings from the lower merger cost than the fair value of the investee's identifiable net assets attributable to the investor when the investment is acquired	**–**	26	–	–
9. Investment income from disposal of subsidiaries	**–**	2	–	–
10. Other non-operating revenue and expenses except those mentioned above	**3**	17	-2	–
Subtotal	**95**	1,337	1,060	–
Less: Effect on income tax	**24**	17	7	–
Effect on minority investors (after tax)	**–**	1	–	–
Total	**71**	1,319	1,053	–

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

Explanations for the Company's extraordinary gain or loss items as defined in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses, and the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses which have been defined as its recurring gain or loss items.

☐ Applicable ☑ Not applicable

OPERATING RESULTS FOR 2019

The Group recorded a net profit attributable to shareholders of the Company of RMB1,787 million and basic earnings per share of RMB0.190 for the year ended 31 December 2019. Net profit attributable to shareholders of the Company was RMB7,952 million and basic earnings per share (after adjustment) was RMB0.846 for the year ended 31 December 2018.

PROFIT DISTRIBUTION

Net profit attributable to shareholders of the Company amounted to RMB1,787 million for the year of 2019, provision of statutory surplus reserve amounted to RMB95 million, the Group's undistributed profit amounted to RMB5,551 million as at 31 December 2019, in accordance with the PRC Accounting Standard for Business Enterprise ("**PRC ASBE**"), as audited and confirmed by ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)).

The Company's board of directors (the "**Board**", and each a "**Director**") recommended distributing RMB536,099,261 of distributable profits to all shareholders of the Company by way of cash dividend of RMB0.57 (tax inclusive) per 10 shares on the basis of the total share capital of 9,405,250,201 shares, which accounted for 30% of the net profit attributable to shareholders of the Company. The funds used for profit distribution were from the Company's own funds. If there is any change in the Company's total share capital as of the record date for dividend distribution in 2019, the total amount of cash dividend under the profit distribution proposal will remain unchanged, and the cash dividend per share will be adjusted on the basis of the Company's total share capital on the record date for dividend distribution. The profit distribution plan conforms to the profit distribution policy stipulated in the Articles of Association of the Company. There is no significant difference between the Company's cash distribution level and the average level of listed companies in the industry. The proposal is subject to consideration at the annual general meeting for 2019 (the "**2019 AGM**").

Information regarding the record date and book closure date for the entitlement to the final dividend and attendance of the 2019 AGM will be announced in due course.

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

Any natural person investor whose H Shares are registered under the name of any such non-individual shareholders and who does not wish to have any corporate income tax to be withheld by the Company may consider transferring the legal title of the relevant H Shares into his or her name and duly lodge all transfer documents with the relevant H Share certificates with the Company's H Share registrar for registration.

Pursuant to the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), for mainland corporate investors that invest in a company via the Shenzhen-Hong Kong Stock Connect, corporate income tax will be levied according to the law. In particular, for any dividend to be distributed to resident enterprises in the mainland China which hold H shares for more than 12 consecutive months, corporate income tax may be exempted according to the law. Such mainland enterprises shall declare and pay taxes by themselves in respect of such dividends, which will not be withheld by such H share company. In respect of dividends for the H shares of a company invested in by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect, the H share company shall apply to China Securities Depository and Clearing Co., Ltd., which will then provide the H share company with the register of mainland individual investors. The H share company shall withhold an individual income tax at the rate of 20% on such dividends.

For dividends received by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on the Shenzhen Stock Exchange, and before Hong Kong Securities Clearing Company Limited is able to furnish China Securities Depository and Clearing Co., Ltd. with the identity, holding period and other detailed data of the investors in the Hong Kong market, the differentiated tax treatment based on the holding period of shares will not be implemented temporarily. Listed companies shall withhold income tax at the rate of 10% and make withholding filings with the competent tax authorities. For those investors who are tax residents of other countries and the tax rate applicable to dividends is lower than 10% under the tax treaty between China and the relevant countries, such investors may, by themselves or request the withholding agent to act on their behalf to, apply to the competent tax authorities in respect of the listed company for the preferential relevant treatment under the relevant treaties. Once verified by the competent tax authorities, the amount being the difference between the tax withheld and the tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

All investors should consider the above contents carefully. The Company will strictly comply with the relevant PRC tax laws and regulations; and the Final Dividend will only be payable to the shareholders whose names appear on the register of members of the Company. The Company assumes no responsibility or liability whatsoever for confirming the identity of the shareholders of the Company and for any claims arising from any delay in or inaccurate determination of the identity of shareholders of the Company or any disputes over the withholding mechanism.

BUSINESS REVIEW

In 2019, the Company adhered to the three key elements of "reform, efficiency and quality" and focused on "quality improvement, energy conservation and environmental protection, process optimization and intelligent production" to accelerate equipment transformation and upgrading and strive to improve the Company's market competitiveness and sustainable development.

Main Indicators:

Operating income: RMB105,587 million 2018:RMB105,157 million 0.41%	Net profit attributable to shareholders of the Company: RMB1,787 million 2018 :RMB7,952 million 77.53%
Sale of rolled steel: 25,916,100 tons 2018:24,098,000 tons 7.54%	Assets-liability ratio: 40.16% 2018:41.72% 1.56%
Net cash flow from operating activities: RMB10,020 million 2018:RMB8,294 million 20.81%	Inventories: RMB9,793 million 2018:RMB13,125 million 25.39%

Main Results:

In 2019, the Group achieved an operating income of RMB105,587 million, representing an increase of 0.41% over the previous year. The total profit reached RMB1,972 million, representing a decrease of 80.30% over the previous year. The net profit attributable to shareholders of the Company was RMB1,787 million, representing a decrease of 77.53% over the previous year. The basic earnings per share was RMB0.190, representing a decrease of 77.54% over the previous year.

1. Strengthening of Collaboration and Interaction and a Record High Output Scale.

By focusing on the systematic coordination and interaction and the strengthening of production interaction of three production lines in Anshan, Yingkou and Chaoyang, the upstream process closely cooperated with the downstream process with rigid connection and rapid response so that a high-level operation of the production scale was maintained, thus achieving the stability and efficiency of the Group's overall production with the production of iron, steel and materials hitting a record high.

In 2019, the Group produced 25,858,100 tons of iron, representing an increase of 4.32% over the previous year; 27,144,000 tons of steel, representing an increase of 3.78% over the previous year; and 25.4203 million tons of rolled steel, representing an increase of 5.34% over the previous year. Sale of rolled steel amounted to 25,916,100 tons, representing an increase of 7.54% as compared with the previous year. The Group achieved a sales-output ratio of 101.95%.

2. **Comprehensive Promotion of Reform and the Stimulation of the Dynamic of Development.**

The setting of internal management organization and occupational function design was optimized, the scope of management was expanded, the organization and staff arrangement were simplified, and the efficiency of management and operation was improved. As a market entity, the Group is committed to deepen its reform of market operation mechanism and to implement the Group's dominant position in the market. It gradually improved the economic responsibility indicator system by adopting sub-contracting operation for 4 units and 8 production lines represented by small-scale production lines. To stimulate operational vitality and motivation of project management team, the Group conducted contractual management for EPS projects and needle coke projects so that the main responsibility for entire process management of investment projects was guaranteed. The corresponding policies for the market-oriented reform of related industries was perfected, the "one company, one policy" model was used in chemical science, energy science and other relevant units to appropriately delegate power, and the guarantee mechanisms for risk control and responsibility investigation was clarified, so as to highlight the dominant position of the Company in the market and promote the market-oriented, professional and industrial development of related industries.

3. **Perfection of Marketing System and Continuous Improvement of the Marketing Service Ability.**

The "1+4+N" marketing model was perfected, the "industry + region" marketing was strengthened. By adhering to the idea of customer-centered and actively improving the collaborative capacity of production, marketing, research and operation as well as innovating the marketing models, appreciation of services was realized.

Brand marketing was highlighted. The market share of cold-rolled household steel, weathering resistant steel, shipbuilding steel, automobile steel, bridge steel and other products maintained the forefront of the industry while industry influence was growing. The tender for Xiong'an new area, Beijing new airport, Beijing Winter Olympic Games and other relevant state key projects was successful. The Company assisted in the Belt and Road initiative by actively participating in biddings of overseas projects. The international influence and popularity of the Company's products were enhanced by winning the bid for projects such as Bangladesh nuclear power station, CNOOC Russia drilling platform, China Laos railway and Guinea railway.

The collaborative platform of automobile steel was established to form a joint effort of Angang automobile steel brand. ZhiLink platform of steel processing center was put into online operation and the interconnection with users' information was realized.

Promoting marketing services based on customers' demand and the relationship with customers was constantly enhanced. By persisting the use of regional sales service providers and steel processing centers as platforms, the high-end and systematic development of processing, distribution and other businesses was continuously promoted. In 2019, the Company's customer call center was put into operation to further optimize the complaint channel for users' complaints and listen to the voices of customers so that customers' complaints can be solved wholeheartedly and professionally. The gap with customers was further shortened by holding a customer exchange conference with the theme of "advance together with you by my side, only good steel is suitable for you". In 2019, the Company won many outstanding supplier awards such as the "Golden Cube Excellent Supplier" award by Haier Group and Sincere Cooperation Award by Midea Group.

4. Acceleration of Technology Research and Development ("R&D") and the Core Competitiveness Was Enhanced.

In order to enhance the core competitiveness, the Company aimed at the state strategies and connected with state key projects. The Company has cooperated with State Power Investment Co., Ltd.（國家電力投資集團有限公司）, Central Iron & Steel Research Institute（鋼鐵研究總院）, Shanghai Nuclear Engineering Research and Design Institute（上海核工程研究設計院）, East Boiler Co., Ltd.（東方鍋爐股份有限公司）to develop products such as steel for wind power, and has formulated the action plan for major issues of technological development in 2019-2021 covering 11 topics as well as clarified R&D directions of 17 "bottlenecks" technologies, with 48 projects focused on being effectively promoted.

Relying on state key laboratories, the cooperation and communication with key universities and downstream companies were strengthened, the Company signed the Articles of Joint Welding Technology Laboratory with Harbin University of Technology, Tianjin University and other universities, and held the listing ceremony of Joint Laboratory of Welding Technology. The preparation of the plan of foreign cooperation projects in 2019 with 50 planning cooperation intentions was completed. 41 technical contracts were signed.

The 316H stainless steel which was successfully developed was applied to the key nuclear island equipment of the 600MW demonstration project; the light dual-phase automobile steel DP980-LITE and qualified billet of high aluminum steel by continuous casting process produced in batch and other products (technologies) were launched as the first in the world; the world's first set of coking tail water recycling and NZE technology were successfully developed. At the same time, the production and supply of Angang QU100 bainite steel rail was completed, which was the first one in China and filled the domestic application gap of this steel in this field; and the first launch of FO460, an ultra-high strength and extra-thick product for offshore platform, was realized under the latest DNV standard. The project of "system renovation of hot metal desulfurization and slagging-off " won the first prize in Innovation Method Competition of China. 13 products, such as hot-rolled, wide and thick structural steel plate for bridge, won the metallurgical product quality award.

5. Perfection of Risk Control System and Further Improvement on the Ability of Risk Prevention and Control.

The system of risk prevention and control was improved, and the plan to prevent and resolve major risks was formulated.

By adhering to the guidelines of "deleveraging, reducing debt, preventing risks, and cutting cost", the Company met the stated goal for all fund indicators, advancing fund management to a new level. Particularly, asset-liability ratio dropped to 40.16%, a decrease of 1.56 percentage points from the beginning of the year; financing scale continued to shrink, and bank loans decreased by RMB1,533 million; financing cost continued to decline, with the overall financing cost reduced of 3.9%, an average decrease of 0.1 percentage point from the previous year, and financial expenses decreased by RMB378 million; inventory decreased by 25.39% from RMB13,125 million at the beginning of the year to RMB9,793 million; the capital turnover efficiency accelerated, and the turnover rate of current assets and inventory turnover rate increased by 0.6 time and 1.47 times respectively over the previous year.

Managing in accordance with the law and operating in compliance with regulation were promoted. Solid efforts were made to carry out special rectification work such as "one hundred days of hard work". Investment in safety production and hidden danger control as well as management of relevant parties were strengthened by promoting the construction of "double prevention" system so that the hidden dangers were effectively controlled and safety management level was improved. "Thunderclap action" was carried out, the comprehensive management system of public security has been perfected day by day, and the protection of companies' assets was further strengthened.

6. Adherence to Green Development and New Achievements in Environmental Protection.

The Company adhered to the idea of ecological priority and green development to further perfect the environmental management system. The transformation and upgrading of environmental protection facilities was accelerated, 75 environmental protection projects, such as shed closure of pellet yard in Lingshan, fine desulfurization of coke oven gas, were completed and put into use. The concentration and total amount of pollutant emission were further reduced.

In 2019, the Company achieved the goal of zero environmental pollution accidents and "three simultaneities" of environmental protection of construction projects, which were the implementation rate, compliant disposal rate of hazardous wastes and safe utilization rate of radioactive sources, were all 100%. Angang Steel won the honorary title of "Liaoning green factory" and the first prize of contribution award of energy conservation and emission reduction by China Energy Conservation Association.

2020 DEVELOPMENT PLAN OF THE COMPANY

1. Landscape and Development Trend in the Industry

The year 2020 is the year when China will finish building a moderately prosperous society in an all-round way and the 13th Five-year Plan, it is also a crucial year to achieve the first centenary goal, and a year of reform where reform and innovation promote high-quality development.

Macroscopically, the Central Economic Work Conference pointed out that the basic trend of China's economic stability and improvement has not changed. We need to perform the "six stability" work in an all-rounded manner. We need to adhere to problem-orientation, goal-orientation and result-orientation and continue to make efforts to deepen supply side structural reform, so as to ensure the rational growth of economic quantity and steady improvement of economic quality.

From the perspective of iron and steel industry, in 2020, the steel market will still face challenges while real estate investment will slow down and infrastructure investment is expected to meet an upturn. Manufacturing industry is expected to remain stable under the "stable growth" policy and the growth of demand for downstream steel will slow down. With the promotion of ultra-low emission transformation and capacity replacement projects in the iron and steel industry, in 2020, the capacity replacement projects will be put into production intensively, which will bring supply pressure to the market, and the steel price will show a downward turbulent trend, resulting in the continuous narrowing of the profits of the steel companies and the increasingly fierce market competition.

In the beginning of 2020, the pandemic of COVID-19 broke out, and the main downstream steel industry in China was affected to varying degrees with demands dropping sharply in the short term and steel prices decreasing. With the effective control of China's pandemic, it is expected that a strong infrastructure-supporting policy will release consumption, thus preventing domestic steel consumption from significant decline and the long-term impact from domestic outbreak on the steel industry is relatively limited. However, with the spread of the pandemic abroad, the global economy is undergoing a major test. If the pandemic abroad cannot be effectively controlled, then a greater turbulence in the international steel market is likely to occur.

In the face of the impact of the pandemic, the Company actively took countermeasures. The fund security plan during the pandemic prevention and control period was formulated and a number of measures was taken so that the risk of funds was effectively prevented; the impact of factors such as poor transportation was overcome to ensure the stable supply of raw materials and fuels; the market research and judgment of the sales end was strengthened and the production was timely adjusted to ensure the smooth output of products and the delivery of order on time. Since the outbreak of the pandemic, three main production bases which are the Anshan headquarter, Bayuquan and Chaoyang have always maintained continuous and stable production and operation.

2. Development Strategy of the Company

Development strategy: focusing on "one main line", optimizing "three layouts" and enhancing "six abilities".

– ***One main line***

the development path of "intensification, reduction, intelligence @ customers" was implemented to achieve high-quality development.

Guided by the new development ideas, we will focus on reform and innovation, optimize industrial layout and enhance core competitiveness to achieve high-efficiency, high-benefit and sustainable high-quality development.

"Intensification": adhere to the coordination among bases and the concentration within the base, we will optimize the industrial structure and spatial layout and promote product upgrading to improve the efficiency of all factor production and the ability to create value.

"Reduction": We will optimize and simplify product process and manufacturing process, develop and apply leading technology, implement cost reform and promote resource investment, energy consumption and emission reduction to realize green development.

"Intelligence": to realize intelligent operation and enhance competitive advantage by strengthening IT empowerment and building intelligent factories.

"@ customer": adhere to market orientation, focus on customer-driving, implement service-leading and pursue value-sharing.

– ***Three layouts***

- Space. With the objective of reasonable layout, we will optimize the layout of steel manufacturing and services, do a good job in the construction of "base areas" in Northeast China and implement capacity transfer to promote the upgrading of coastal bases. We will also strengthen the technical transformation of inland boutique bases and seize the opportunity to expand to areas where the downstream industry development gathers to realize the coordinated development of multiple bases, optimize the adjustment structure and improve the market competitiveness.

- Products. In pursuit of product diversity, we will implement the strategy of differentiated, specialized and high-end development of iron and steel products, focus on service-leading, scientific and technological innovation, quality improvement and cost reduction, we will also continue to strengthen the series of high-quality products and strengthen breakthroughs in key areas and key products as well as increase the proportion of unique leading products and strengthen the comprehensive competitiveness of products to achieve and maintain the market leading position of the series of high-quality iron and steel products.

- Industry. Taking industrial coordination as the direction, relying on the resource advantages of the iron and steel industry chain and using the market as the guide, we will focus on the main industry, strengthen the innovation of technology, mode and business form. We will also strengthen and optimize the relevant industries with the iron and steel service industry as the focus to create an ecosystem of coordinated industrial development, cultivate new growth points and form new driving forces.

– ***Six abilities***

– Efficiency improvement. We will deepen management reform, innovate management mode and operation mechanism, optimize human resources and strengthen manufacturing coordination. We will also establish an effective incentive mechanism combining short, medium and long term to stimulate potential and release energy to improve all-factor productivity and create an example of intensive and efficient steel company.

– Cost reform. We will strengthen the cost strategy. Using the advanced information management system as the platform and the management innovation and technological progress as the driving force. We will implement the cost control for the whole process to realize the goal of cost reformation of facing the market, facing the process and continuously increasing the value, making the reformation the cornerstone of high-quality development.

– Service leading. Adhere to customer-oriented, we will build service brand, comprehensive service system, innovate service mode and enhance service ability to become an excellent service provider of steel materials and improve market competitiveness and market share of products.

– Leading technology. We will strengthen the construction of innovation system, focus on demand upgrading, low cost and high quality. We will strengthen forward-looking, breakthrough and subversive innovation. We will also break through the bottleneck of core technology and bottleneck technology that restrict development, strengthen knowledge protection and accumulation, innovate iteratively, and strive to become the technical leader of the steel industry.

– Intelligent production. We will promote the deep integration and innovation of new generation information technology and steel industry chain, build the whole-process intelligent steel plant and improve the intelligent operation level of the entire value chain to become the successful example of intelligent steel production in the country and significantly improve the competitive advantage.

– Ecological integration. Adhere to green recycling and low-carbon development, we will build ecological steel plants and deepen co-construction to become an example of steel plant that demonstrates harmonious coexistence with the city and common development with employees.

3. Operation plan for the year of 2020

The main line of work in 2020 is: focusing on improving competitiveness with high-quality development as the core, focusing on "intensification, reduction, intelligent @ customers" to reform and innovate, and strive to "surpass the market and ourselves". In order to achieve the above goals, we should "consistently strengthen the Party's construction and strive to promote the seven reforms".

(1) Promoting ideological reform to build a consensual idea of high-quality development.

(2) Promoting industrial reform to gather strong momentum of high-quality development.

(3) Promoting efficiency reform to inject strong dynamic of high-quality development.

(4) Promoting cost reform to improve the competitiveness of high-quality development.

(5) Promoting scientific reform to activate the first driving force of high-quality development.

(6) Promoting marketing reform to polish the brand of Angang of high-quality development.

(7) Promoting management reform to implement the targeting responsibility of high-quality development.

4. Plans for funding requirements

In 2020, the proposed investments for fixed assets and external investments of the Group will amount to RMB4,339 million.

In 2020, the sources of funding for the Group mainly include internal fund, supplemented by bank loans and issuing bonds.

ANALYSIS OF FINANCIAL INFORMATION

1. Overview

Unit: RMB million

Items	Reporting Period	Corresponding period of the previous year	Increase／decrease during the Reporting Period as compared with the corresponding period of the previous year *(%)*	Explanation and reasons for significant change
Operating income	**105,587**	105,157	0.41	–
Operating costs	**96,782**	88,126	9.82	–
Marketing expenses	**3,064**	3,067	-0.10	–
Administrative expenses	**1,331**	1,266	5.13	–
Financial expenses	**1,093**	1,471	-25.70	–
R&D expenditure	**443**	483	-8.28	–

Items	Reporting Period	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Total profit	**1,972**	10,008	-80.30	The total profit of the Company and the net profit attributable to the shareholders of the Company were significantly lower than that of the previous year, which was mainly due to (i) China's economy is in the transition from high-speed growth to high-quality development, the economic growth is slowing down, the demand for steel products is declining and the steel price is running at a low level. The demand for steel from downstream industries such as domestic automobile, household electrical appliances and real estate decreased, which affected the year-on-year decline of steel price; (ii) affected by the demand, raw material prices have increased significantly compared with the previous year, the two ends of purchase and sale have been pressured, the space for profit of steel companies has been narrowed, and the level of profit has declined compared with the previous year; (iii) the accrued credit impairment loss of bank acceptance bills issued by certain financial companies that are not paid at maturity was RMB338 million.
Net profit attributable to shareholders of the Company	**1,787**	7,952	-77.53	

Items	Reporting Period	Corresponding period of the previous year	Increase／decrease during the Reporting Period as compared with the corresponding period of the previous year *(%)*	Explanation and reasons for significant change
Net cash flow	**2,517**	-516	587.79	The net increase in cash and cash equivalents increased by RMB3,033 million as compared to the same period of the previous year, which was mainly due to (i) increase of RMB1,726 million in net cash flow from operating activities over the same period of the previous year; (ii) increase of RMB616 million in net cash flow from investing activities over the same period of the previous year; (iii) increase of RMB706 million in net cash flow from financing activities over the same period of the previous year; and (iv) decrease of RMB15 million in impact of exchange rate changes on cash flow over the same period of the previous year.

2. Income and Cost

(1) Composition of operating income

Unit: RMB million

	2019		2018		
	Amount	**As a percentage of the operating income** *(%)*	Amount	As a percentage of the operating income *(%)*	Year-on-year increase／decrease *(%)*
Total Operating Income	**105,587**	**100**	105,157	100	0.41
By industries					
Steel rolling and processing industry	**105,096**	**99.53**	104,849	99.71	0.24
Others	**491**	**0.47**	308	0.29	59.42
By products					
Steel products	**98,030**	**92.84**	97,296	92.52	0.75
Others	**7,557**	**7.16**	7,861	7.48	-3.87
By geographical locations					
Domestic China	**98,511**	**93.30**	99,371	94.50	-0.87
Export sales	**7,076**	**6.70**	5,786	5.50	22.30

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

Unit: RMB million

	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income as compared with the corresponding period of the previous year (%)	Increase/decrease in operating cost as compared with the corresponding period of the previous year (%)	Increase/decrease in gross profit margin as compared with the corresponding period of the previous year (percentage point)
By industries						
Steel rolling and processing industry	105,096	96,371	8.30	0.24	9.71	-7.92
By products						
Hot-rolled sheets products	31,854	27,926	12.33	-1.47	9.51	-8.78
Cold-rolled sheets products	34,425	32,196	6.47	-0.18	10.62	-9.13
Medium and thick plates	17,198	16,013	6.89	3.36	11.19	-6.56
By geographical locations						
Domestic China	98,020	89,696	8.49	-1.05	8.22	-7.84
Export Sales	7,076	6,675	5.67	22.30	34.44	-8.52

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

☐ Applicable ☑ Not applicable

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

☑ Yes ☐ No

Industry Classification	**Items**	**2019**	2018	Year-on-year increase/ decrease *(%)*
Steel rolling and processing industry	Sales volume *(0'000 tons)*	**2,591.61**	2,409.80	7.54
	Production volume *(0'000 tons)*	**2,542.03**	2,413.07	5.34
	Stock volume *(0'000 tons)*	**82.47**	120.06	-31.31

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

☑ Applicable ☐ Not applicable

The inventory was 31.31% lower than that of the previous year, which was mainly because in order to improve the efficiency of capital use and strengthen the pressure control of the occupation of working capital, the Company strengthened the sales force and reduced the occupation of inventory through the prediction of the steel market to realize the reduction of the cost of capital use.

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

☐ Applicable ☑ Not applicable

(5) Composition of operating costs

Unit: RMB million

Industry Classification	Items	**2019** Amount	**2019** As a percentage of operating costs (%)	2018 Amount	2018 As a percentage of operating costs (%)	Year-on-year increase/decrease in operating costs *(Percentage point)*
Steel rolling and processing industry	Raw materials and fuel	**75,285**	**78.12**	71,330	81.20	-3.08
	Others	**21,086**	**21.88**	16,515	18.80	3.08
	Total	**96,371**	**100**	87,845	100	–

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

☐ Applicable ☑ Not applicable

(7) Major customers and suppliers

Sales to major customers of the Company

Total sales amount of the top five customers *(RMB million)*	31,632
Proportion of total sales amount of the top five customers over total sales amount for the year *(%)*	30.09
Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year *(%)*	26.71

Top five customers of the Company

No.	Customer name	Sales amount *(RMB million)*	Proportion of sales amount over total sales amount for the year *(%)*
1	Customer A	7,612	7.24
2	Customer B	7,225	6.87
3	Customer C	7,051	6.71
4	Customer D	6,190	5.89
5	Customer E	3,554	3.38
Total		31,632	30.09

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

Major suppliers of the Company

Total purchase amount from the top five suppliers *(RMB million)*	34,109
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year *(%)*	36.98
Proportion of purchase from related parties of total purchase amount of the top five suppliers over total purchase amount for the year *(%)*	32.92

Top five suppliers of the Company

No.	Supplier name	Purchase amount (excluding tax) *(RMB million)*	Proportion of purchase amount over total purchase amount for the year *(%)*
1	Supplier A	12,840	13.92
2	Supplier B	7,573	8.21
3	Supplier C	6,068	6.58
4	Supplier D	3,882	4.21
5	Supplier E	3,746	4.06
Total		34,109	36.98

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

In 2019, saved as disclosed in this annual results announcement, none of the directors or supervisors whose associates or any shareholders (who hold 5% or more of the Company's shares as known to the Board) has an interest in the Company's top five suppliers or customers.

3. Expenses

Unit: RMB million

Financial indicators	**2019**	2018	Increase／decrease in the Reporting Period as compared with the corresponding period of the previous year *(%)*	Explanations on material changes
Marketing expenses	**3,064**	3,067	-0.10	–
Administrative expenses	**1,331**	1,266	5.13	–
Financial expenses	**1,093**	1,471	-25.70	–
R&D expenditure	**443**	483	-8.28	–
Income tax expenses	**212**	2,056	-89.69	This was mainly due to (i) the decrease of total profit compared with the previous year resulting in the decrease of current income tax of RMB333 million; (ii) the decrease of RMB1,511 million affected by deferred income tax adjustment.

4. R&D expenditure

(1) Key points of technology and new product development

In 2019, Angang Steel realized RMB1,558 million in R&D expenditure. In order to ensure the effective implementation of R&D expenditure in technology, 7 batches of R&D projects including national projects, provincial projects, leading plan, independent management project of technology center and Beijing Branch CAS project were issued, which includes 145 projects (subjects). In the year, 44 projects were set up with swift action, 68 scientific research projects were set up and demonstrated and 161 scientific research projects were completed and checked. In order to continuously improve the efficiency of R&D expenditure, a target plan for R&D cost and technology expenses in 2019 was formulated. The Notice on Launching the Key Projects of Reducing Technology Cost and Increasing Efficiency in 2019 was issued, three batches of plans about reducing technology cost and increasing efficiency were formed, and 596 projects of reducing technology cost and increasing efficiency was implemented during the year.

(2) Remarkable achievements in product technology development

DP980-LITE, a new generation of dual-phase automobile steel with high-strength and light-weight, was launched as the first in the world; 90mm ultra-wide crack-resistant steel was launched as the first in China, which supplied 9 largest 23000TEU container ships in the world; FO460, a 68mm large-thickness steel with ultra-high strength and low-temperature, was launched as the first in China, which supplied the FPSO project of Shell Company contracted for the first time in China; 316H stainless steel was applied to the nuclear island key equipment of 600MW demonstration project; Q420qFNH, a weather-resistant steel with high performance while in extremely cold area supplied the Heihe Bridge project of China-Russia Bridge; the production and supply of Angang QU100 bainite rail was completed, which was the first one in China and filled the domestic application gap of this steel in this field; titanium steel composite plate supplied the demonstration and application project of anti-collision pier of Chizhou Yangtze River Bridge. The world's first set of coking tail water recycling and NZE technology was successfully developed; spiral electromagnetic stirring equipment for secondary cooling (of blooms) was put into operation on line, becoming the first set of equipment in the world; coal blending expert system went online and became the first set of equipment in China.

The whole set of production technology of die steel composite billet developed independently by Bayuquan Iron & Steel Branch Company has a welding qualification rate of 75%; the static eddy current array probe was launched as the first in China to detect all kinds of defects on the rail bottom surface of 0-180°. New progress was made in the longevity and high efficiency of blast furnaces; the longevity of 7 blast furnaces set up the record of Angang; the technology of high efficiency and low energy consumption of 5 blast furnace was developed to effectively improve the utilization coefficient of blast furnaces. 6 projects including the "R&D and application of new technology of continuous casting of microalloy steel billet with no flaws on the surface" won the metallurgical technology award, and 7 projects including "R&D and application of rolling intelligent-control system to improve the working efficiency of electrical silicon steel" won the Liaoning technology award. 11 projects including "Development and Application of Key Technology of Steel for Bogies of High-performance Series of Angang Steel" won the technology award of Angang Group.

Items	**2019**	2018	Year-on-year increase／decrease *(%)*
Number of R&D staff *(person)*	**1,630**	1,638	-0.49
Percentage of the number of R&D staff in the Company *(%)*	**5.56**	5.47	Increased by 0.09 percentage point
Amount of R&D expenditure *(RMB million)*	**1,558**	1,500	3.87
Percentage of R&D expenditure in operating income *(%)*	**1.48**	1.43	Increased by 0.05 percentage point
Amount of capitalization of R&D expenditure *(RMB million)*	**–**	–	–
Percentage of capitalization of R&D expenditure in the R&D expenditure *(%)*	**–**	–	–

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

☐ Applicable ☑ Not applicable

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

☐ Applicable ☑ Not applicable

5. Cash flow

Unit: RMB million

Item	**2019**	2018	Year-on-year increase／decrease *(%)*
Sub-total of cash inflow from operating activities	**96,798**	87,018	11.24
Sub-total of cash outflow from operating activities	**86,778**	78,724	10.23
Net cash flow from operating activities	**10,020**	8,294	20.81
Sub-total of cash inflow from investing activities	**280**	558	-49.82
Sub-total of cash outflow from investing activities	**3,546**	4,440	-20.14
Net cash flow from investing activities	**-3,266**	-3,882	15.87
Sub-total of cash inflow from financing activities	**17,448**	21,564	-19.09
Sub-total of cash outflow from financing activities	**21,685**	26,507	-18.19
Net cash flow from financing activities	**-4,237**	-4,943	14.28
Net increase of cash and cash equivalents	**2,517**	-516	587.79

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

☑ Applicable ☐ Not applicable

The cash inflow from investment activities for the year decreased by RMB278 million as compared to the previous year, which was mainly due to (i) decrease in cash received from cash dividends over the previous year; and (ii) decrease in the revenue of futures contracts.

The net increase in cash and cash equivalents increased by RMB3,033 million as compared to the same period of the previous year, which was mainly due to (i) increase of RMB1,726 million in net cash flow from operating activities over the same period of the previous year; (ii) increase of RMB616 million in net cash flow from investing activities over the same period of the previous year; (iii) increase of RMB706 million in net cash flow from financing activities over the same period of the previous year; and (iv) decrease of RMB15 million in impact of exchange rate changes on cash flow over the same period of the previous year.

Explanations on reasons for significant differences in cash flow from operating activities and net profit of the Company during the Reporting Period:

☑ Applicable ☐ Not applicable

Unit: RMB million

Items	**This Year**
Reconciliation of net profit to cash flows from operating activities:	
Net profit	**1,760**
Add: Provision for impairment on assets	**-137**
Credit impairment loss	**340**
Depreciation of fixed assets	**3,519**
Amortization of intangible assets	**179**
Depreciation of right to use assets	**80**
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("–" for gains)	**-3**
Loss on scrap of fixed assets（"-" for gains)	**57**

Items	This Year
Loss on the change of fair value (“-” for gains)	**-65**
Financial expenses (“-” for gains)	**1,043**
Investment loss (“-” for gains)	**-166**
Decrease in deferred tax assets (“-” for increase)	**-274**
Increase in deferred tax liabilities (“-” for decrease)	**10**
Decrease in inventories (“-” for increase)	**3,357**
Decrease in operating receivables (“-” for increase)	**1,418**
Increase in operating payables (“-” for decrease)	**-1,104**
Others	**6**
Net cash flow from operating activities	**10,020**

6. Liquidity and financial resources

As at 31 December 2019, the Group had long-term loans (exclusive of loans due within one year) of RMB3,392 million with interest rates ranging from 4.275-5.225% per annum. The terms of such loans range from 3 to 5 years, and the loans will fall due in 2023. The loans are mainly used for replenishing the working capital. The Group’s long-term loans due within one year amounted to RMB1,003 million.

In 2019, with good credibility, the Group was reviewed and rated by the rating committee of China Chengxin International Credit Rating Co., Ltd.(中誠信國際信用評級有限責任公司) with a credit rating of “AAA”. In 2019, 20 financial institutions which had strategically cooperated with the Company provided credit facilities to the Company. The Group is capable of repaying its debts when they become due.

As at 31 December 2019, cash and bank balances of the Group denominated in foreign currencies was RMB1 million (31 December 2018: RMB1 million).

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

Unit: RMB million

	31 December 2019	31 December 2018
RMB	**4,670**	2,153
US dollars	**1**	1
HK dollars		–
Others		–
Sub-total	**4,671**	2,154

As at 31 December 2019, the Group had a total capital commitment of RMB2,453 million, which was primarily attributable to the construction and renovation contracts of RMB2,370 million entered into but not yet performed or partially performed and foreign investment contracts of RMB83 million entered into but not yet performed or partially performed.

7. Pension scheme

In accordance with the requirements of national insurance policies of the PRC, the Group provides all employees with basic pension (which are contributed as to 16% by the employer and as to 8% by the individual employee), pursuant to which the employee is entitled to receive pension payments on a monthly basis after retirement. For each month, the Group makes contribution to the basic pension scheme at 16% of the gross salary recognized as cost (expenses) of the previous month. In 2019, the total contribution to the basic pension scheme amounted to RMB696 million (including the employer's contribution of RMB486 million and the employees' contribution of RMB210 million).

In addition, the Group maintains corporate annuity scheme for all of its employees, the contribution to which is made by the Group at 4% of the gross salary recognized as cost (expenses) of the previous year. The Group also made compensation to the employees for their years of service prior to the establishment of the corporate annuity scheme. In 2019, the contribution to the corporate annuity scheme amounted to RMB193 million (including the employer's contribution of RMB122 million and the employees' contribution of RMB71 million) and the total compensation to the employees for their years of service prior to the establishment of the corporate annuity scheme amounted to RMB45 million.

8. Foreign exchange risk

The Group carries out import and export through agent trade by Angang International Trade for its main foreign currency transactions including the export of sales products, import of raw materials 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 issued HK$1.85 billion of H-share convertible bonds, the foreign exchange risk of which depends on the exchange rate of the Renminbi against the Hong Kong dollar at the time of redemption of the unconverted bonds.

Analysis of Non-Principal Businesses

Unit: RMB million

Items	Amount	As a percentage of total profit *(%)*	Reasons for the changes	Sustainable or not
Investment income	166	8.42	Mainly included investment income from long-term equity investments accounted by equity method and other equity instruments during holding period.	Yes
Gains arising from changes in fair value	65	3.30	Mainly included changes in fair value of derivative financial instruments and embedded derivative financial instruments.	Yes
Impairment losses on asset	137	6.95	Mainly included reversal of losses from decline in value of inventories.	No
Credit impairment loss ("-" for losses)	-340	-17.24	Mainly included credit impairment loss on account receivables.	No
Other gains	82	4.16	Mainly included gains on government grants.	Yes

Items	Amount	As a percentage of total profit (%)	Reasons for the changes	Sustainable or not
Non-operating income	15	0.76	Mainly included gains on disposal of non-current assets.	Yes
Non-operating expenses	68	3.45	Mainly included losses on disposal of non-current assets.	Yes

ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in composition of assets

Unit: RMB million

Items	**End of 2019**		End of 2018			
	Amount	**As a percentage of total assets** *(%)*	Amount	As a percentage of total assets *(%)*	Increase/ Decrease *(percentage point)*	Explanation for significant Amount change
Monetary capital	**4,671**	**5.32**	2,154	2.39	2.93	–
Notes receivables	**2,635**	**3.00**	7,184	7.98	-4.98	–
Account receivables	**2,569**	**2.93**	2,460	2.73	0.19	–
Inventories	**9,793**	**11.15**	13,125	14.58	-3.43	–
Long-term equity investments	**2,894**	**3.30**	2,803	3.11	0.18	–
Fixed assets	**50,966**	**58.04**	50,064	55.61	2.43	–
Construction in progress	**1,549**	**1.76**	1,458	1.62	0.14	–
Short-term loans	**12,195**	**13.89**	13,180	14.64	-0.75	–
Long-term loans	**3,392**	**3.86**	2,295	2.55	1.31	–

2. Assets and liabilities measured at fair value

Unit: RMB million

Items	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)	35	3					38
2.Derivative financial assets	1	-1					0
3.Other credit investment							
4.Other equity instrument investment	519		-373				465
Sub-total of financial assets	555	2	-373				503
Investment properties							
Productive biological assets							
Others							
Total	555	2	-373				503
Financial liabilities	-3	3					0

Material changes in measurement of major assets during the Reporting Period

☐ Yes ☑ No

3. Gearing ratio

As at 31 December 2019 and 31 December 2018, the Group's ratio of equity to liability was 1.49 times and 1.40 times, respectively.

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

The Group pledged notes receivable with carrying amount of RMB198 million to bank to obtain notes payable of RMB198 million for a pledge with term from December 2019 to May 2020.

5. **Contingent liabilities**

As at 31 December 2019, the Group had no contingent liabilities.

ANALYSIS ON THE CORE COMPETITIVENESS

1. **Secured resources supply capabilities**

The surrounding areas of Anshan have abundant reserves of iron ore, providing strong secured supply of resources. Mining companies of Angang Group have iron ore resources of 8,800 million tons and production stripping capacity of 280 million tons per year and mineral processing capacity of 65 million tons per year, which ranked the first in China and are in leading positions in the world. Such areas are well-positioned to supply high-quality minerals for the Company.

2. **Technical and equipment capabilities**

The main equipment and technology of Anshan production base are among the best of the PRC. They include: low-cost blast furnace ironmaking technology, rapid selection technology of coking coal and converter ultra-pure steel production technology. The Company's production lines of steel rolling are in the lead of its domestic peers, while the 1,700mm medium and thin slab continuous casting and rolling coil production technology, self-integrated cold rolling wide strip production technology, self-developed and applied cold rolling mill shape control system core technology have all reached the internationally advanced level.

Bayuquan production base has a compact layout and leads the world in equipment and craft. It boasts large equipment, constant processing, indicator modelling, automatic operation, IT application in management and information digitization. The 1,580 hot rolling plate production line uses multiple internationally advanced hot rolling technology, and equipped with a fixed width press, a hot coil box and 7 continuous rolling mills; the 5,500 wide and thick plate production line is currently one of the largest wide and thick plate mills in the world.

Chaoyang Iron and Steel has public and auxiliary facilities and equipment in relation to energy power, coking, sintering, iron making, steel making, steel rolling, and raw material storage and railway transportation. It has an annual production capacity of 2 million tons of fine plates.

3. Product development capabilities

The Company's steel products are complete in types and specifications and have certain differentiation advantages and its brand has high popularity and credibility. It has a leading position in producing automotive steel plates, home appliance plates and container plates. Its railway steels, container steels and shipbuilding plates won the title of "China Famous Brand Products".

The Company's comprehensive research and development strength leads the iron and steel industry. It launched the TWIP1180HR hot coil and other new products produced by the full process technology. Its cold rolled high-strength plate QP1400 was launched first in the world. Its ultra-high strength marine steel is supplied exclusively to Blue Whale I, boosting the trial mining of gas hydrate and the longitudinal variable thickness weatherproof LP steels are exclusively used in batch in bridge engineering. It developed the 4,000mm ultra-wide nuclear grade duplex stainless steel plates S32101, filling in the gap of our country regarding special steels and reaching the world leading level. Its railway vehicle weather-resistant steels can be provided in all kinds of specifications, and the power car bogies lead the development of the industry. The successful development of wide-width martensitic stainless steels 4Cr13 for corrosion-resistant dies fills the blank of large martensitic stainless steel plates in China.

4. Technological innovation capabilities

The Company has mastered a number of key, leading, basic and cutting-edge technologies. The progress regarding intellectual property rights marked by patent applications, number of licenses and number of know-hows are in the "first echelon" in the metallurgical industry; it takes an important role in the modification of national standards and industry standards. Many achievements in intellectual property rights have been made in the fields of pre-ironmaking and iron and steel smelting systems, iron and steel products, environmental resources, etc. A number of invention patents including "A Low Alloy Sulfuric Acid Dew Point Corrosion Resistant Steel Plates and Related Manufacturing Method", "A High Strength Cold Rolled Hot Dip Galvanized Dual Phase Steel Plates and Related Manufacturing Method" won the 18th China Patent Excellence Award, and a large number of achievements including the "New-generation Controlled Rolling and Controlled Cooling Technology and Its Application" won state, industrial, provincial and municipal awards. In 2019, 579 patent applications were accepted by the state, of which 325 were inventions, accounting for 56% of all the applications. 442 patents were authorized by the state, with 214 of which being inventions. 574 know-how applications were made, 101 know-hows was identified and filed. Protection application for 15 computer software copyrights were made. 15 know-hows gained the Company's excellent know-how awards.

5. Corporate culture cohesion capabilities

After accumulating, generalizing, extracting, sublimating the spirit of the past generations, the Company has established a profound corporate culture with "Innovation, Factualism, Hard Working and Contribution" as its core value and gave birth to the "Angang Constitution" which is praised as the fundamental law for running socialist enterprises. It abounds in heroic figures like Meng Tai, Lei Feng, Wang Chonglun as well as advanced models in the new period including Guo Mingyi and Li Chao. Its "model culture" plays an irreplaceable role in uniting the teams and making concerted efforts.

SIGNIFICANT EVENTS

1. The profit distribution proposal of the Company for 2019

Net profit attributable to shareholders of the Company amounted to RMB1,787 million for the year of 2019, provision of statutory surplus reserve amounted to RMB95 million, the Group's undistributed profit amounted to RMB5,551 million as at 31 December 2019, in accordance with the PRC ASBE, as audited and confirmed by ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)). The Board recommended distributing RMB536,099,261 of profits to all shareholders of the Company by way of cash dividend of RMB0.57 (tax inclusive) per 10 shares on the basis of the total share capital of 9,405,250,201 shares, which accounted for 30% of the net profit attributable to shareholders of the Company. The funds used for profit distribution were from the Company's own funds. In the case of any change in the total share capital of the Company as at the record date of the dividend distribution in 2019, the total amount of distributable profits to all shareholders of the Company will remain unchanged, while the cash dividend per share will be adjusted based on the total share capital of the Company as at the record date of the dividend distribution. This proposal shall be subject to consideration and approval at the 2019 AGM.

2. Performance of Undertaking

The undertakings performed by the Company, shareholders, de facto controllers, offerors, Directors, Supervisors, senior management or other related parties during the Reporting Period as well as the undertakings that they have not yet performed as at the end of the Reporting Period.

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Industry competition commitments	The Non-competition Undertaking Letter of Anshan Iron & Steel Group Complex (《鞍山鋼鐵集團公司避免同業競爭承諾函》):	20 May 2007	Indefinite	There was no breach of such undertaking

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			(1) Angang Holding and its wholly-owned and holding subsidiaries have complied with relevant requirements of the state on the non-competition.			
			(2) Angang Holding and its wholly-owned and holding subsidiaries have never engaged in any business which directly or indirectly competes with the iron and steel business, the principal business of the Company.			
			(3) Angang Holding undertakes that the Company is entitled to the pre-emptive rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlling subsidiaries of Angang Holding, which are related to the iron and steel business of the Company.			
			(4) If the enterprises in which Angang Holding holds equity interests produce products or engage in business which compete or may compete with the Company, Angang Holding undertakes that it will transfer all the capital contribution, shares or equity interests and grant the Company preemptive rights for such capital contribution, shares or equity interests.			

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			(5) If Angang Holding and its wholly-owned and holding subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes the purchase requirement, Angang Holding and its wholly-owned and holding subsidiaries will transfer relevant assets and business to the Company with priority based on reasonable prices and conditions according to the processes required by laws.			
			(6) During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first for the opportunity of new business.			
			If the Company accepts such opportunity of new business, Angang Holding shall transfer such new business to the Company for free. Angang Holding and its wholly-owned and holding subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.			

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			If the Company proposes the purchase requirement in the future, Angang Holding and its wholly-owned and holding subsidiaries still need to transfer the assets and business formed by such opportunities to the Company with priority based on reasonable prices and conditions. (7) Other effective measures to avoid and eliminate horizontal competition. The above undertakings do not limit the business of Angang Holding and its wholly-owned and holding subsidiaries which do not compete with the Company, especially the business of provision of required materials or services necessary for the operation of the Company. All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible for engaging in business not prohibited by the state. Such undertakings became effective from the date of issuance, and shall be terminated once one of following conditions occurs:			

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			(1) Angang Holding ceases to be the controlling shareholder of the Company.			
			(2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of the shares of the Company due to any reason).			
			(3) When the state does not require the contents of Certain undertakings, relevant section shall be terminated automatically.			
			Considering that Angang Holding does not have any iron and steel production projects in production which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitions with the Company before the date of the issuance of the undertaking letter.			
Whether the commitments are fulfilled on time	Yes					

3. Misappropriation of Non-operating Funds of the Company by Controlling Shareholders and Its Connected Persons

☐ Applicable ☑ Not applicable

4. 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

☑ Applicable ☐ Not applicable

(1) Changes in accounting policies

On 30 August 2019, the Resolution in relation to Changes in Accounting Policy of the Company was approved at the seventh meeting of the eighth session of the Board, the particulars of which are as follows:

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 – Leases (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 Standard

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 Standard. 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. For short term and low-value asset lease, the right-of-use asset and lease liabilities are not recognized selectively. 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.

B: Presentation of Financial Statements

The Group prepared its 2019 annual financial statements in accordance with the format for financial statements of 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 of the parent company of the end of the last year and the beginning of the year are as follows:

Unit: RMB million

Consolidated Balance Sheet

Statement	2018–12–31 Before retrospect adjustment of the format of new statement	Impact of changes in the format of new statement	2018–12–31 After retrospect adjustment of new statement
ASSETS:			
Bills receivables		7,184	7,184
Trade receivables		2,460	2,460
Bills receivables and trade receivables	9,644	-9,644	
LIABILITIES:			
Note payables		1,400	1,400
Trade payables		7,663	7,663
Note payables and trade payables	9,063	-9,063	

Balance Sheet of the Parent Company

Statement	2018–12–31 Before retrospect adjustment of the format of new statement	Impact of changes in the format of new statement	2018–12–31 After retrospect adjustment of new statement
ASSETS:			
Bills receivables		6,249	6,249
Trade receivables		3,239	3,239
Bills receivables and trade receivables	9,488	-9,488	
LIABILITIES:			
Note payables		1,370	1,370
Trade payables		6,976	6,976
Note payables and trade payables	8,346	-8,346	

Note: As at the date of initial application of the New Leases Standards, the Group and the Company have no long-term leases, so they have no impact on the the statements dated 1 January 2019.

Items affected in the consolidated balance sheet and the balance of the parent company as at the end of this year are as follows:

Unit: RMB million

	Consolidated Balance Sheet		
Statement	**Carrying amount**	**Assuming implementing the original standard**	**Impact number**
ASSETS:			
right-of-use asset	162		162
Construction in progress	1,549	1,552	-3
LIABILITIES:			
Lease liability	160		160
Long-term payable		2	-2

	Balance Sheet of the Parent Company		
Statement	**Carrying amount**	**Assuming implementing the original standard**	**Impact number**
ASSETS:			
right-of-use asset	159		159
Construction in progress			
LIABILITIES:			
Lease liability	157		157
Long-term payable			

Items of the compacted consolidated income statement and income statement of the parent company this year are as follows:

Unit: RMB million

	Consolidated Income Statement		
Statement	**Carrying amount**	**Assuming implementing the original standard**	**Impact number**
Financial expenses	1,093	1,088	5
Administrative expenses	1,331	1,337	-6
Income tax expense	212	212	

	Income Statement of the Parent Company		
Statement	**Carrying amount**	**Assuming implementing the original standard**	**Impact number**
Financial expenses	1,084	1,079	5
Administrative expenses	1,167	1,173	-6
Income tax expenses	-24	-24	

(2) Changes in accounting estimates

There was no change in accounting estimates of the Group during the Reporting Period.

5. Reason for Retrospective Restatement to Correct Major Accounting Errors During the Reporting Period

☐ Applicable ☑ Not applicable

6. Explanation of Changes of Scope in Consolidated Statements As Compared With the Financial Report of the Previous Year

☑ Applicable ☐ Not applicable

ASPD–CC, a subsidiary of the Company, established Angang Steel Processing and Distribution (Hangzhou) Limited* (鞍鋼鋼材加工配送(杭州)有限公司), with 100% shareholding and the registered capital of RMB118 million.

7. Appointment and Dismissal of Accounting Firm

(1) Accounting Firm Currently Engaged by the Company

Name of the PRC accounting firm	ShineWing Certified Public Accountants (Special General Partnership)
Remuneration of the PRC accounting firm *(RMB0'000)*	500
Continued term of auditing service of the PRC accounting firm	2 years
Continued term of auditing services by certified public accountants of the PRC accounting firm	2 years
Name of certified public accountants of the PRC accounting firm	Fan Jianping (范建平) and Fu Yangyi (付羊意)

(2) Whether Appointed Another Accounting Firm During the Period

☐ Yes ☑ No

Whether appointed another accounting firm during the auditing period

☐ Yes ☑ No

(3) Particulars on Appointment of Accounting Firms, Financial Consultants or Sponsors for Internal Control and Auditing Purposes

☑ Applicable ☐ Not applicable

The Company engaged ShineWing Certified Public Accountants (Special General Partnership) as the internal control and auditing firm of the Company for 2019 and the remuneration was RMB0.70 million.

(4) Whether to Accounting Firms Has Changed in the Last Three Years

Due to Ruihua Certified Public Accountants (Special General Partnership) has provided the Company with continuous annual audit services for 5 years, and according to the relevant requirements of the SASAC, the Company had changed the accounting firm for 2018. The Company appointed ShineWing Certified Public Accountants (Special General Partnership) as the Company's auditor.

8. Litigation and Arbitration

Background of litigation (arbitration)	Amount involved *(RMB0'000)*	Any estimated liabilities incurred	Status of litigation (arbitration)	Trial outcome and impact of litigation (arbitration)	Enforcement of the judgment on litigation (arbitration)
Non-material proceedings	122,695	–	Case built	–	–
Non-material response to proceedings	6,428	–	In trial	–	–

Note: The non-material proceedings were mainly the actions brought by the Company against certain financial companies and related liable entities on overdue bank acceptance bills.

9. Penalty and Rectifications

The Company has not been subject to any material penalty or rectification during the Reporting Period.

10. Credibility of the Company, Its Controlling Shareholders and De Facto Controllers

☐ Applicable ☑ Not applicable

11. Implementation of the Share-Based Incentives, Employee Stock Ownership Scheme and Other Employee Incentive Measures of the Company

The Company had no share-based incentives, employee stock ownership scheme or other employee incentive measures and relevant implementation thereof during the Reporting Period.

12. 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 Stock Exchange Listing Rules ("**Connected Transaction**", or where applicable, "**Continuing Connected Transaction**"). Relevant connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Stock Exchange 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 100 million)*	As a percentage of the amount of similar transactions	Transaction Cap *(RMB 100 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	–	7,583	14.90	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	–	4,216	8.29			In cash	–
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	3,038	5.97			In cash	–
Angang Group Anqian Mining Company Limited	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,473	2.89			In cash	–
Angang Group Guanbaoshan Mining Co. Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,242	2.44			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 100 million)*	As a percentage of the amount of similar transactions	Transaction Cap *(RMB 100 million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Holding International Economic and Trading	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	717	1.41			In cash	–
Pangang Vanadium & Titanium Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	308	0.61			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,008	1.98			In cash	–
Sub-total	–	–	Purchase main materials	–	–	19,585	38.49			–	–

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount *(RMB 100 million)*	As a percentage of the amount of similar transactions	Transaction Cap *(RMB 100 million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	–	167	100.00	300	No	In cash	–
Sub-total	–	–	Purchase steel products	–	–	167	100.00			–	–
Anshan Iron and steel Metallurgical Furnace Material Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	–	920	8.41	3,526	No	In cash	–
Angang Naihuo Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	–	736	6.73			In cash	–
Angang Group Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle		410	3.75			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 100 million)*	As a percentage of the amount of similar transactions	Transaction Cap *(RMB 100 million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	–	1,217	11.12			In cash	–
Sub-total	–	–	Purchase auxiliary materials	–	–	3,283	30.01			–	–
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	–	1,601	33.76	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	–	45	0.95			In cash	–
Sub-total	–	–	Procurement of energy and power	–	–	1,646	34.71			–	–

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount *(RMB 100 million)*	As a percentage of the amount of similar transactions	Transaction Cap *(RMB 100 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	–	1,672	15.96	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	–	592	5.65			In cash	–
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	775	7.40			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	–	505	4.82			In cash	–
Angang Group Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	535	5.11			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	2,330	22.24			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 100 million)*	As a percentage of the amount of similar transactions	Transaction Cap *(RMB 100 million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Sub-total	–	–	Receive supporting services	–	–	6,409	61.18			–	–
Delin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Sales of products	Market principle	–	741	0.75	5,179	No	In cash	–
Angang Green Resources Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Sales of products	Market principle	–	629	0.63			In cash	
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Sales of products	Market principle	–	1,132	1.14			In cash	–
Sub-total	–	–	Sales of products	–	–	2,502	2.52			–	–

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount *(RMB 100 million)*	As a percentage of the amount of similar transactions	Transaction Cap *(RMB 100 million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Sell scrap steel material, abandoned material, minus sieve powder	Market principle	–	240	90.23	297	No	In cash	–
Sub-total	–	–	Sell scrap steel material, abandoned material, minus sieve powder	–	–	240	90.23			–	–
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Provide comprehensive services	Market principle	–	761	10.97	1,828	No	In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Provide comprehensive services	Market principle	–	258	3.72			In cash	–
Sub-total	–	–	Provide comprehensive services	–	–	1,019	14.69			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 100 million)*	As a percentage of the amount of similar transactions	Transaction Cap *(RMB 100 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	–	33	63.44	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	–	35	17.25	250	No	In cash	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	–	26	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	The estimated data of Continuing Connected Transactions of the Company for the previous year was based on the content and estimated caps of transactions set out in the Continuing Connected Transaction Agreements approved at the 2018 general meeting of the Company. The total amount of Continuing Connected Transactions of the Company in 2019 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements. The difference between actual amounts of certain connected transactions and estimated amounts was relatively larger, due to the impact of changes in prices of commodities and trading volumes during actual operation. As the originally estimated data represented the estimated caps of transactions, the existence of difference was reasonable which did not prejudice the interests of non-controlling shareholders and the Company.
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

For the above Continuing Connected Transactions, the independent non-executive Directors of the Company expressed their opinions as follows:

(1) the Continuing Connected Transactions of the Company in 2019 were carried out in the ordinary and usual course of business of the Company; (2) the Continuing Connected Transactions of the Company in 2019 were conducted (A) in accordance with the normal commercial terms (with reference to transactions of a similar nature made by similar entities in the PRC); (B) on terms no less favorable than the terms available to or offered by the third parties (if no comparable case is available); and (C) on terms which are fair and reasonable to shareholders of the Company (if no reference is available); (3) the Continuing Connected Transactions of the Company in 2019 were conducted in accordance with the terms set out in the Continuing Connected Transaction Agreements, which are fair and reasonable and in the interest of the Company and shareholders as a whole; (4) the total amount of Continuing Connected Transactions of the Company in 2019 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements. The difference between actual amounts of certain connected transactions and estimated amounts was relatively larger, due to the impact of changes in prices of commodities and trading volumes during actual operation. As the originally estimated data represented the estimated caps of transactions, the existence of difference was reasonable which did not prejudice the interests of non-controlling shareholders and the Company.

The auditors of the Company have reviewed the above non-exempt connected transactions and issued a letter to the Board. In respect of the Continuing Connected Transactions disclosed by the Company, the auditors are of the opinion that nothing has come to their attention that causes them to believe that:

(1) the disclosed Continuing Connected Transactions have not been approved by the Board of the Company.

(2) for the transactions involving provision of the Group’s goods and services, the Continuing Connected Transactions were not carried out in accordance with the pricing policies of the Group in all material aspects.

(3) the transactions were not carried out in accordance with the relevant agreements in all material aspects.

(4) the Connected Transactions have exceeded the relevant annual cap.

(2) Connected transactions in relation to asset or equity acquisition or disposal

There was no connected transaction in relation to asset or equity acquisition and disposal during the Reporting Period.

(3) Connected transactions in relation to joint external investments

There was no connected transaction in relation to joint external investment during the Reporting Period.

(4) Connected party credit and debt transaction

There were no claims or obligations for non-operating purpose during the Reporting Period.

(5) Other major connected transactions

On 10 September 2019, the Resolution on Delegating Angang Group Beijing Research Institute Co., Ltd. to Conduct Technology Development Projects was approved at the ninth meeting of the eighth session of the Board. Angang Beijing Research Institute is the holding subsidiary of Angang, which is the actual controller of the Company. In order to improve the Company's basic, cutting-edge and leading technology research and development level, and enhance the leading force of scientific and technological innovation, the Company delegated Angang Beijing Research Institute to conduct the research and development of 9 technology development projects. The total delegated technology development fee is RMB198.01 million.

On 30 December 2019, the Resolution of the Company on the Joint Venture with Anshan Holding to Establish Delin Zhilian (Anshan) Co., Ltd was approved at the fifteenth meeting of the eighth session of the Board. Angang Holding is the controlling shareholder of the Company. In order to accelerate the development of the Company's modern internet economy, give full play to the synergistic effect of "internet + entity", develop the Company's e-commerce, promote the close integration of e-commerce and procurement, sales, logistics, finance, etc., and build an integrated operation platform featuring active, cost reduction, safety, efficiency and flexibility, the Company and Anshan Holding jointly set up the Deling Zhilian. The total registered capital of Deling Zhilian was RMB60 million, which was contributed in currency by the Company and Anshan Holding, including RMB54.6 million invested by the Company, representing 91% of the registered capital, and RMB5.4 million invested by Anshan Holding, representing 9% of the registered capital.

Delin Zhilian completed its industrial and commercial registration on 20 January 2020.

13. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

(1) Trust, contractual or lease arrangement

1) *Trust arrangement*

On 18 December 2018, the Company approved the Supply of Materials and Services Agreement (2019–2021) between the Company and Angang at the third extraordinary general meeting of the Company in 2018. The Company entered into the Entrusted Management Services of Asset and Business Agreement with Angang Holding on January 2019 as the specific agreement for execution under the approved Supply of Materials and Services Agreement (2019–2021). Pursuant to the Entrusted Management Services of Asset and Business Agreement, Angang Holding entrusts the Company to daily operate and manage the assets, businesses, additional future assets and businesses of the unlisted units under its control.

During the Reporting Period, the Company did not address any entrusted projects which resulted in profit or loss of the Company amounting to more than 10% of the Company's total profit during the Reporting Period.

2) *Contractual arrangement*

The Company did not enter into any contractual arrangement during the Reporting Period.

3) *Lease arrangement*

The Company did not enter into any lease arrangement during the Reporting Period.

(2) Material guarantee

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

(3) Entrusted cash assets management.

1) Entrusted wealth management

During the Reporting Period, the Company did not have entrusted wealth management.

2) Entrusted loans

During the Reporting Period, the Company did not have entrusted loan.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities.

CORPORATE GOVERNANCE PRACTICE

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

The Company has adopted the code provisions set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has periodically reviewed its corporate governance practices. Save as set out below, the Company has properly complied with the code provisions of the Corporate Governance Code:

(1) According to provision A.1.8 in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), "An issuer should arrange appropriate insurance cover in respect of legal action against its directors."

    In 2019, the Company did not make any insurance arrangement in respect of the Directors.

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

AUDIT COMMITTEE

The Audit Committee and the management of the Company have jointly examined the Company's accounting policy and have discussed issues in relation to the auditing, internal control and financial statements of the Company, including a review of the audited financial statements for the year ended 31 December 2019

2019 ANNUAL GENERAL MEETING

The 2019 AGM will be held on Thursday, 28 May 2020. A notice to convene the 2019 AGM of the Company, the proxy form and the 2019 annual report of the Company will be published and delivered to H shareholders of the Company as required by the Hong Kong Listing Rules in due course.

CONSOLIDATED BALANCE SHEET

December 31, 2019

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

Items	*Notes*	**December 31, 2019**	December 31, 2018
Current assets:			
Cash at bank and on hand		**4,671**	2,154
Derivative financial assets			1
Notes receivable		**2,635**	7,184
Accounts receivable	2	**2,569**	2,460
Prepayments		**3,405**	1,408
Other receivables		**100**	50
Including: interest receivable			
Dividends receivable			
Inventories		**9,793**	13,125
Other current assets		**319**	526
Total current assets		**23,492**	26,908
Non-current assets:			
Long-term equity investments		**2,894**	2,803
Other equity investment		**465**	519
Other non-current financial assets		**38**	35
Fixed assets		**50,966**	50,064
Construction in progress		**1,549**	1,458
Right-of-use assets		**162**	
Intangible assets		**6,163**	6,315
Deferred income tax assets		**1,028**	781
Other non-current assets		**1,051**	1,141
Total non-current assets		**64,316**	63,116
Total assets		**87,808**	90,024

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

Items	*Notes*	**December 31, 2019**	December 31, 2018
Current liabilities:			
Short-term loans		**12,195**	13,180
Derivative financial liabilities			3
Notes payable		**3,143**	1,400
Accounts payable	3	**5,424**	7,663
Contract liabilities		**4,896**	4,795
Employee benefits payable		**153**	183
Tax payable		**(3)**	589
Other payables		**2,530**	2,286
Including: interests payable		**9**	9
Dividends payable		**8**	
Non-current liabilities due within 1 year		**1,003**	2,648
Total current liabilities		**29,341**	32,747
Non-current liabilities:			
Long-term loans		**3,392**	2,295
Bonds payable		**1,513**	1,574
Lease liability		**160**	
Long-term employee benefits payable		**98**	97
Deferred income		**584**	630
Deferred income tax liabilities		**93**	77
Other non-current liabilities		**79**	139
Total non-current liabilities		**5,919**	4,812
Total liabilities		**35,260**	37,559

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

Items	*Notes*	**December 31, 2019**	December 31, 2018
Shareholders' equity:			
Share capital		**9,405**	7,235
Capital reserve		**33,485**	35,655
Other comprehensive income		**(139)**	(241)
Special reserve		**54**	49
Surplus reserve		**3,723**	3,628
Undistributed profit	4	**5,551**	5,636
Subtotal of Shareholders' equity attributable to shareholders of parent company		**52,079**	51,962
Minority interests		**469**	503
Total shareholders' equity		**52,548**	52,465
Total liabilities and shareholders' equity		**87,808**	90,024

Legal representative:	*Chief Accountant:*	*Person-in-charge of accounting department:*
Wang Yidong	**Ma Lianyong**	**Gong Jin**

CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2019

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

Items	*Notes*	2019	2018
1. Operating income		**105,587**	105,157
Including: operating income	5	**105,587**	105,157
2. Operating costs		**103,675**	95,597
Including: Operating costs	5	**96,782**	88,126
Tax and surcharges	6	**962**	1,184
Marketing expenses		**3,064**	3,067
Administrative expenses		**1,331**	1,266
Research and development expenses		**443**	483
Financial expenses	8	**1,093**	1,471
Including: Interests expenses		**1,083**	1,416
Interests revenue		**42**	36
Add: Other income		**82**	83
Investment income ("-" for losses)		**166**	315
Income from investment in jointly ventures and associates		**182**	286
Gains/losses from fair value variation ("-" for losses)		**65**	60
Impairment losses on assets ("-" for losses)		**137**	74
Credit impairment loss ("-" for losses)		**(340)**	(10)
Asset disposal income ("-" for losses)		**3**	6
3. Operating profit ("-" for losses)		**2,025**	10,088
Add: Non-operating income		**15**	56
Less: Non-operating expenses		**68**	136

CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

Items	*Notes*	**2019**	2018
4. Profit before income tax ("-" for losses)		**1,972**	10,008
Less: Income tax expenses	9	**212**	2,056
5. Net profit for the period ("-" for losses)		**1,760**	7,952
(1) Classification according to the continuity of operation			
i. Continuous operating net profit		**1,760**	7,954
ii. Termination of net profit			(2)
(2) Classification according to ownership			
i. The net profit belongs to the owners of the company		**1,787**	7,952
ii. Minority interest income		**(27)**	
6. The net amount after tax of other comprehensive income		**(83)**	9
Net after-tax net of other comprehensive income attributable to the parent company owner		**(83)**	9
(1) The other comprehensive income which can not be reclassified into profit or loss		**(86)**	6
i. Changes in fair value of other equity instruments investment		**(86)**	6
(2) The other comprehensive income which can be classified into profit or loss		**3**	3
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method		**3**	3
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			

CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

Items	*Notes*	2019	2018
7. Total comprehensive income		**1,677**	7,961
The other comprehensive income attributed to the owners of the company		**1,704**	7,961
The other comprehensive income attributed to the minority		**(27)**	
8. Earning per share			
(1) Basic earning per share *(RMB/share)*	10	**0.190**	0.846
(2) Diluted earning per share *(RMB/share)*	10	**0.187**	0.840

Legal representative:	*Chief Accountant:*	*Person-in-charge of accounting department:*
Wang Yidong	**Ma Lianyong**	**Gong Jin**

1. BASIC PREPARATION OF FINANCIAL STATEMENT

The Group has evaluated the continuous operations ability for the 12 months from December 31, 2019, and has not found any matters or circumstances that have significant doubts about the continuous operations ability. Therefore, the financial statements are prepared on the assumption of going concern principle. In addition, the Group has prepared this report based on the actual transactions and events and in accordance with the Basic Standard and 42 specific standards of the PRC 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. ACCOUNT RECEIVABLE

(1) Classification of Accounts Receivable

Items	31 December 2019				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	**1,039**	**34.74**	**419**	**40.33**	**620**
Account receivable for which bad debt is prepared based on group combination	**1,952**	**65.26**	**3**	**0.15**	**1,949**
Including: Risk-free group combination	**700**	**23.40**			**700**
Risk group combination on the basis of aging-matrix	**1,252**	**41.86**	**3**	**0.24**	**1,249**
Total	**2,991**	**100.00**	**422**	**14.11**	**2,569**

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 aging-matrix	1,632	64.18	1	0.06	1,631
Total	2,543	100.00	83	3.26	2,460

2. ACCOUNT RECEIVABLE *(Continued)*

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

Debtors	31 December 2019 Book Value	Bad Debt Provision	Percentage (%)	Reason
A financial Co., Ltd	**605**	**306**	**50.58**	Notes overdue
B financial Co., Ltd	**269**	**19**	**7.06**	Notes overdue
C financial Co., Ltd	**83**	**13**	**15.66**	Notes overdue
Anshan Zhongyou Tianbao Steel Tube Co., Ltd.	**67**	**66**	**98.51**	Business is in trouble. It does not have repayment ability
Dongbei Special Steel Group Dalian material trading Co., Ltd	**15**	**15**	**100.00**	The company has gone into liquidation
Total	**1,039**	**419**	**–**	–

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

Aging	**31 December 2019**			31 December 2018		
	Book Value	**Bad Debt Provision**	**Percentage (%)**	Book Value	Bad Debt Provision	Percentage (%)
Within 1 year	**1,243**			1,625		
1 to 2 years	**2**		**28.8**	5		3.2
2 to 3 years	**5**	**2**	**44.9**	1		9.9
3 to 4 years	**1**		**67.3**			28.9
4 to 5 years			**67.3**			37.7
Over 5 years	**1**	**1**	**100.0**	1	1	100.00
Total	**1,252**	**3**	**–**	1,632	1	–

2. ACCOUNT RECEIVABLE *(Continued)*

(4) Accounts Receivable classified by aging

Aging	**31 December 2019**	31 December 2018
Within 1 year	**2,844**	2,402
1 to 2 years	**15**	17
2 to 3 years	**14**	17
3 to 4 years	**17**	32
4 to 5 years	**32**	74
Over 5 years	**69**	1
Total	**2,991**	2,543

Note: In the above analysis, the aging of accounts receivable (RMB957 million in total) transferred from overdue notes receivable is calculated from the transfer date. The aging is within 1 year. Meanwhile, rest of accounts receivable is based on the invoice date.

(5) Bad debt provision

		Increase/Decrease			
Type	31 December 2018	Bad debt provision	Reverse	Resale or verification	**31 December 2019**
Accounts Receivable	83	344	5		**422**

(6) Accounts receivable written off this period

Items	Amount
Anshan Iron and Steel Processing and Distribution (Weifang) Co., Ltd. ("**Angang Weifang**")	4
Other	1
Total	5

2. ACCOUNT RECEIVABLE *(Continued)*

(6) Accounts receivable written off this period *(Continued)*

The written off information of the important accounts receivable:

Name	Nature of accounts receivable	Written off	Reason	Write-off procedure	Whether the money was generated by a related-party transaction
Angang Weifang	Payment for goods sold	4	The subsidiary has been cancelled	Board resolution	Yes
Total	–	4	–	–	–

(7) The condition of accounts receivable of the top five debtors by the balances as of 31 December 2019

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB1,867 million as of 31 December 2019, which accounted for 62.42% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB325 million at 31 December 2019.

(8) Accounts receivable derecognized resulting from transfer of financial assets

On December 20, 2019, the Group and the bank reached an open-type non-recourse factoring agreement. A certain percentage of the RMB888 million accounts receivable was agreed as factoring financing principal, the factoring bank paid the Group the principal amount of RMB796 million for transfer price. The Group will pay factoring expenses when the bank recovers corresponding batch of principal. The accounts receivable in excess of the principal amount will be returned to the Group when principal is entirely recovered. Consequently, the Group derecognised accounts receivable of RMB888 million, no factoring expenses have been paid for the time being.

3. ACCOUNTS PAYABLE

(1) Aging of accounts payable

Items	31 December 2019 Balance	31 December 2019 Percentage (%)	31 December 2018 Balance	31 December 2018 Percentage (%)
Within 1 year	**5,332**	**98.30**	7,563	98.70
1 to 2 years	**8**	**0.15**	15	0.20
2 to 3 years	**2**	**0.04**	5	0.07
Over 3 years	**82**	**1.51**	80	1.03
Total	**5,424**	**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.	65	1 to 2 years、3 to 4 years、Over 5 years
Total	65	

4. UNDISTRIBUTED PROFIT

Items	This year	Last year
Balance as of the end of last year	**5,636**	7,604
Changes in accounting policies		115
Business combination under the common control		(8,262)
Balance as of the beginning of this year	**5,636**	(543)
Increase during this year	**1,787**	7,952
Including: Net profit transferred this period	**1,787**	7,952
Other adjustment factors		
Decrease during this year	**1,872**	1,773
Including: Extraction of surplus reserve this period	**95**	48
Extraction of general risk provisions in this period		
Distribution of cash dividend this period *(note 1)*	**1,592**	1,678
Conversed capital		
Other decreases *(Note 2)*	**185**	47
Balance as of 31 December 2019	**5,551**	5,636

Note 1: According to the resolution of the 2018 annual general meeting of shareholders held on 28 May 2019, the Company distributed cash dividends to all shareholders at RMB0.22 per share based on the issued shares of 7,234,807,847 shares, amount totaling RMB1,592 million. All of the shares have been released as of 31 December 2019.

Note 2: Other decrease of 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 the previous year are transferred to undistributed profits for the period at the time of write-off.

Note 3: The Board recommended distributing approximately RMB536 million of distributable profits to all shareholders of the Company by way of cash dividend of RMB0.57 (tax inclusive) per 10 shares on the basis of the total share capital of 9,405,250,201 shares. This plan will be submitted to 2019 annual general meeting for consideration. The cash dividend recommended after the balance sheet date is not recognized as a liability on the balance sheet date.

5. OPERATING INCOME AND OPERATING COSTS

(1) Classified by production

Items	This year Income	This year Cost	Last year Income	Last year Cost
Prime operating	**105,096**	**96,371**	104,849	87,845
Other operating	**491**	**411**	308	281
Total	**105,587**	**96,782**	105,157	88,126

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 year	Last year
Foreign transaction income from the within borders	**98,511**	99,371
Foreign exchange income from outside borders	**7,076**	5,786
Total	**105,587**	105,157

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

Items	This year	Last year
Confirm at a certain point	**105,587**	105,157
Total	**105,587**	105,157

6. TAX AND SURCHARGES

Items	This year	Last year
City maintenance and construction tax	**120**	267
Educational surcharge and local educational surcharge	**86**	191
Land use tax	**429**	398
Property tax	**157**	149
Stamp tax	**87**	83
Resources tax	**3**	3
Environmental protection tax	**79**	92
Other	**1**	1
Total	**962**	1,184

7. DEPRECIATION AND AMORTIZATION

Items	This year	Last year
Depreciation of fix assets	**3,519**	3,516
Amortization of intangible assets	**179**	173
Depreciation of right-of-use assets	**80**	
Total	**3,778**	3,689

8. FINANCIAL EXPENSES

Items	This year	Last year
Interest expense	**1,112**	1,430
Including: interests expense from the long-term loans and long-term bonds	**237**	324
Interests expense from the short-term loans and letters of credit	**651**	736
Other interest expenditures	**224**	370
Less: Interest income	**42**	36
Less: capitalized interest expense	**29**	14
Exchange gain or loss	**31**	77
Less: capitalized exchange gain or loss		
Others	**21**	14
Total	**1,093**	1,471

9. INCOME TAX EXPENSES

(1) Income tax expenses

Items	This year	Last year
Income tax during this period	**477**	810
Changes on deferred income tax expenses	**(265)**	1,246
Total	**212**	2,056

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

Items	This year
Total profit	**1,972**
Income tax expenses calculated at statutory/applicable tax rates	**493**
Effect of different tax rates applied by subsidiary companies	
Effect of adjustments for income tax for prior period	**(29)**
Effect of income not subject to tax	**(133)**
Effect of costs, expenses and loss not deductible for tax purpose	**14**
Effect of deductible loss of deferred income tax assets not recognized in prior periods	**(121)**
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	**13**
Changes in the balance of deferred income tax assets/ liabilities at the beginning of the year resulting from tax rate adjustments	
Others	**(25)**
Income tax expenses	**212**

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

Profit in this period	**Weighted average(ROE)** *(%)*	**EPS** *(RMB per share)* **Basic EPS**	**Diluted EPS**
Net profit attributable to ordinary shareholders	3.43	0.190	0.187
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	3.30	0.182	0.179

11. SEGMENT INFORMATION

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

12. COMMITMENTS

Items	**As of 31 December 2019**	As of 31 December 2018
Investment contracts entered but not yet performed or performed partially	**83**	
Construction and renovation contracts entered but not yet performed or performed partially	**2,370**	2,977
Total	**2,453**	2,977

13. SUBSEQUENT EVENTS

Since the outbreak of Novel coronavirus pneumonia in January 2020, the corresponding prevention and control work is continuing nationwide. The company's main production and operation are in Liaoning Province and have been normal during the epidemic. Individual subsidiaries that were suspended due to the epidemic have now resumed production. The Group will continue to pay close attention to the development of Novel coronavirus pneumonia, assess and actively respond to its impact on the financial position and operating results of the Group. As of the publication date of this report, the assessment is still in progress.

14. NET CURRENT ASSETS

Items	**31 December 2019**	31 December 2018
Current assets	**23,492**	26,908
Less：Current liabilities	**29,341**	32,747
Net current assets/(liabilities)	**(5,849)**	(5,839)

15. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	**31 December 2019**	31 December 2018
Total assets	**87,808**	90,024
Less: Current liabilities	**29,341**	32,747
Total assets less current liabilities	**58,467**	57,277

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

Anshan City, Liaoning Province, the PRC
27 March 2020

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

Executive Directors:
Wang Yidong
Li Zhen
Li Zhongwu
Ma Lianyong

Independent Non-executive Directors:
Wu Dajun
Feng Changli
Wang Jianhua
Wang Wanglin

* *For identification purposes only*