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)

2020 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB44,650 million
- Total profit amounted to RMB618 million
- Net profit attributable to shareholders of the Company amounted to RMB500 million
- Basic earnings per share amounted to RMB0.053 (January to June 2019: basic earnings per share of RMB0.152)
- The financial information contained in this announcement was prepared in accordance with the Accounting Standards for Business Enterprises in the PRC

The board of directors of the Company (the "**Board**") is pleased to announce the unaudited results of the Company and its subsidiaries under control for the six months ended 30 June 2020 together with the comparative figures as stated herein.

* *For identification purposes only*

DEFINITIONS:

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

Term	Meaning
"Company" or "Angang Steel"	Angang Steel Company Limited* (鞍鋼股份有限公司)
"Group"	Angang Steel Company Limited* and its subsidiaries
"Angang Holding"	Anshan Iron & Steel Co. Ltd* (鞍山鋼鐵集團有限公司), the controlling shareholder of the Company
"Anshan Iron & Steel Group Complex"	Angang Holding and the companies in which it holds 30% or above interests (excluding the Group)
"Angang"	Angang Group Company Limited* (鞍鋼集團有限公司), the de facto controller of the Company
"Angang Group"	Angang and the companies in which it holds 30% or above interests (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 Group, 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 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)
"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)
"Delin Zhilian"	Delin Zhilian (Anshan) Co., Ltd.*(德鄰智聯(鞍山)有限公司)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

I. FINANCIAL INFORMATION

Consolidated Balance Sheet
As at 30 June 2020

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

Items	*Notes*	**30 June 2020**	31 December 2019
Current assets:			
Cash and cash equivalents		**7,753**	4,671
Derivative financial assets		**2**	
Notes receivable		**227**	2,635
Accounts receivable	2	**1,944**	2,569
Accounts receivable financing		**2,063**	
Prepayments		**2,580**	3,405
Other receivables		**105**	100
Including: interests receivable			
Dividends receivable			
Inventories		**10,488**	9,793
Other current assets		**484**	319
Total current assets		**25,646**	23,492
Non-current assets:			
Long-term equity investments		**2,932**	2,894
Other investments in equity instruments		**483**	465
Other non-current financial assets		**26**	38
Fixed assets		**49,858**	50,966
Construction in progress		**2,002**	1,549
Right-of-use assets		**877**	162
Intangible assets		**6,080**	6,163
Deferred income tax assets		**1,151**	1,028
Other non-current assets		**781**	1,051
Total non-current assets		**64,190**	64,316
Total assets		**89,836**	87,808

Items	*Notes*	**30 June 2020**	31 December 2019
Current liabilities:			
Short-term loans		**11,855**	12,195
Notes payable		**3,671**	3,143
Accounts payable	3	**5,774**	5,424
Contract liabilities		**5,101**	4,896
Employee benefits payable		**242**	153
Tax payable		**206**	(3)
Other payables		**1,949**	2,530
Including: interests payable		**10**	9
Dividends payable			8
Non-current liabilities due within 1 year		**1,303**	1,003
Total current liabilities		**30,101**	29,341
Non-current liabilities:			
Long-term loans		**3,988**	3,392
Bonds payable		**1,572**	1,513
Lease liability		**808**	160
Long-term employee benefits payable		**99**	98
Deferred income		**563**	584
Deferred income tax liabilities		**97**	93
Other non-current liabilities		**38**	79
Total non-current liabilities		**7,165**	5,919
Total liabilities		**37,266**	35,260

Items	*Notes*	**30 June 2020**	31 December 2019
Shareholders' equity:			
Share capital		**9,405**	9,405
Capital reserve		**33,485**	33,485
Other comprehensive income		**(126)**	(139)
Special reserve		**91**	54
Surplus reserve		**3,723**	3,723
Undistributed profit	4	**5,515**	5,551
Subtotal of Shareholders' equity attributable to shareholders of parent company		**52,093**	52,079
Minority interests		**477**	469
Total shareholders' equity		**52,570**	52,548
Total liabilities and shareholders' equity		**89,836**	87,808

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

Consolidated Income Statement
For the six months ended 30 June 2020

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

Items	*Notes*	This period	Last period
1. Operating income		**44,650**	51,074
Including: operating income	5	**44,650**	51,074
2. Operating costs		**44,003**	49,423
Less: operating costs	5	**40,742**	45,962
Tax and surcharges	6	**479**	472
Marketing expenses		**1,533**	1,539
Administrative expenses		**592**	615
Research and development expenses		**155**	214
Financial expenses	8	**502**	621
Including: interests expenses		**474**	631
Interests revenue		**25**	22
Add: Other income		**29**	36
Investment income (“-” for losses)		**88**	75
Including: income from investment in jointly ventures and associates		**85**	70
Gains/losses from fair value variation (“-” for losses)		**31**	29
Impairment losses on assets (“-” for losses)		**(156)**	97
Credit impairment loss (“-” for losses)			(27)
Asset disposal income (“-” for losses)			1
3. Operating profit (“-” for losses)		**639**	1,862
Add: Non-operating income		**21**	12
Less: Non-operating expenses		**42**	28
4. Profit before income tax (“-” for losses)		**618**	1,846
Less: Income tax expenses	9	**115**	422

Items	*Notes*	**This period**	Last period
5. Net profit for the period ("-" for losses)		**503**	1,424
(1) Classification according to the continuity of operation			
i. Continuous operating net profit		**503**	1,424
ii. Termination of net profit			
(2) Classification according to ownership			
i. The net profit belongs to the owners of the company		**500**	1,425
ii. Minority interest income		**3**	(1)
6. The net amount after tax of other comprehensive income		**13**	(83)
Net after-tax net of other comprehensive income attributable to the parent company owner		**13**	(83)
I. The other comprehensive income which can not be reclassified into profit or loss		**13**	(83)
i. Changes in fair value of other investments in equity instruments investment		**13**	(83)
II. The other comprehensive income which can be classified into profit or loss			
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			
ii. The profit or loss from the change at fair value of available-for-sale financial assets			

Items	*Notes*	**This period**	Last period
Net after-tax net of other comprehensive income attributable to minority shareholders			
Total comprehensive income		**516**	1,341
The other comprehensive income attributed to the owners of the company		**513**	1,342
The other comprehensive income attributed to the minority		**3**	(1)
Earning per share:			
Basic earning per share *(RMB/share)*	10	**0.053**	0.152
Diluted earning per share *(RMB/share)*	10	**0.053**	0.146

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

NOTES TO THE 2020 SEMI-ANNUAL FINANCIAL STATEMENTS

For the period ended at 30 June 2020 (Expressed in million RMB unless otherwise indicated)

1. BASIC PREPARATION OF FINANCIAL STATEMENTS

The Group has evaluated the continuous operations ability for the 12 months from June 30, 2020, 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 Accounting Standards for Business Enterprises (abbreviated as ASBE) (Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as the Accounting Standards for Business Enterprises or CAS) and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

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

2. ACCOUNTS RECEIVABLE

(1) Classification of Accounts Receivable

Items	30 June 2020				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	**1,035**	**43.74**	**419**	**40.48**	**616**
Account receivable for which bad debt is prepared based on group combination	**1,331**	**56.26**	**3**	**0.23**	**1,328**
including: Risk-free group combination	**291**	**12.30**			**291**
Risk group combination on the basis of ageing-matrix	**1,040**	**43.96**	**3**	**0.29**	**1,037**
Total	**2,366**	**100.00**	**422**	**17.84**	**1,944**

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 the basis of ageing-matrix	1,252	41.86	3	0.24	1,249
Total	2,991	100.00	422	14.11	2,569

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

	30 June 2020			
Debtors	**Book Value**	**Bad Debt Provision**	**Percentage** *(%)*	**Reason**
A financial Co., Ltd	**605**	**306**	**50.58**	Notes overdue
B financial Co., Ltd	**265**	**19**	**7.17**	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	**1,035**	**419**	**–**	–

(3) Accounts Receivable for which bad debts prepared based on aging-matrix risk group combination

	30 June 2020			31 December 2019		
Aging	**Book Value**	**Bad Debt Provision**	**Percentage** *(%)*	Book Value	Bad Debt Provision	Percentage *(%)*
Within 1 year	**1,030**			1,243		
1 to 2 years	**4**		**28.8**	2		28.8
2 to 3 years			**44.9**	5	2	44.9
3 to 4 years	**5**	**2**	**67.3**	1		67.3
4 to 5 years			**67.3**			67.3
Over 5 years	**1**	**1**	**100.0**	1	1	100.0
Total	**1,040**	**3**	**–**	1,252	3	–

(4) Accounts Receivable classified by aging

Aging	30 June 2020	31 December 2019
Within 1 year	**2,086**	2,844
1 to 2 years	**141**	15
2 to 3 years	**11**	14
3 to 4 years	**17**	17
4 to 5 years	**32**	32
Over 5 years	**79**	69
Total	**2,366**	2,991

Note: In the above analysis, the aging of accounts receivable (RMB953 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 2019	Bad debt provision	Reverse	Resale or verification	30 June 2020
Accounts Receivable	422				**422**

(6) Accounts receivable written off this period

Accounts receivable not written off in the current period.

(7) The condition of accounts receivable of the top five debtors by the balances as of 30 June 2020

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB1,457 million as of 30 June 2020, which accounted for 61.58% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB325 million at 30 June 2020.

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

In 2019, the Group transferred the accounts receivable of RMB888 million without recourse, and the related expenses of derecognition occurred in the current period of RMB1 million.

3. ACCOUNTS PAYABLE

(1) Aging of accounts payable

Items	**30 June 2020** Balance	**30 June 2020** Percentage (%)	31 December 2019 Balance	31 December 2019 Percentage (%)
Within 1 year	**5,694**	**98.61**	5,332	98.30
1 to 2 years	**8**	**0.14**	8	0.15
2 to 3 years			2	0.04
Over 3 years	**72**	**1.25**	82	1.51
Total	**5,774**	**100.00**	5,424	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	Within 1 years、Over 5 years
Total	**65**	

4. UNDISTRIBUTED PROFIT

Items	This period
Balance as of 31 Dec. 2019	**5,551**
Changes in accounting policies	
Business combination under the common control	
Balance as of 1 Jan. 2020	**5,551**
Increase in 2020	**500**
Including: Net profit transferred this year	**500**
Other adjustment factors	
Decrease in 2020	**536**
Including: Extraction of surplus reserve this year	
Extraction of general risk provisions in this year	
Distribution of cash dividend this year *(note)*	**536**
Conversed capital	
Other decreases	
Balance as of 30 Jun. 2020	**5,515**

Note: According to the resolution of the 2019 Annual General Meeting of Shareholders held on May 28, 2020, the Company distributed cash dividends to all shareholders at RMB0.57 per 10 shares. According to the issued shares of 9,405,250,201 shares, it's totaling RMB536 million. All of them have been released as of 30 June 2020.

5. OPERATING INCOME AND OPERATING COSTS

(1) Classified by production

	This period		Last period	
Items	**Income**	**Cost**	Income	Cost
Prime operating	**44,482**	**40,587**	50,808	45,725
Other operating	**168**	**155**	266	237
Total	**44,650**	**40,742**	51,074	45,962

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

(2) Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	**43,023**	47,325
Foreign transaction income from outside borders	**1,627**	3,749
Total	**44,650**	51,074

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

Items	This period	Last period
Confirm at a certain point	**44,650**	51,074
Total	**44,650**	51,074

6. TAX AND SURCHARGES

Items	This period	Last period
City maintenance and construction tax	**67**	53
Educational surcharge and local educational surcharge	**48**	38
Land use tax	**213**	215
Property tax	**76**	76
Stamp tax	**40**	45
Resources tax	**1**	1
Environmental protection tax	**34**	44
Total	**479**	472

7. DEPRECIATION AND AMORTIZATION

Items	This period	Last period
Depreciation of fix assets	**1,772**	1,749
Amortization of intangible assets	**93**	89
Depreciation of right-of-use assets	**63**	
Total	**1,928**	1,838

8. FINANCIAL EXPENSES

Items	This period	Last period
Interest expense	**479**	646
Including: interests expense from the long-term loans and long-term bonds	**125**	122
Interests expense from the short-term loans and letters of credit	**263**	340
Other interest expenditures	**91**	184
Less: Interest income	**25**	22
Less: capitalized interest expense	**5**	15
Exchange gain or loss	**29**	6
Less: capitalized exchange gain or loss		
Others	**24**	6
Total	**502**	621

9. INCOME TAX EXPENSES

(1) Income tax expenses

Items	This period	Last period
Income tax during this period	**238**	338
Changes on deferred income tax expenses	**(123)**	84
Total	**115**	422

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

Items	This period
Total profit	**618**
Income tax expenses calculated at statutory/applicable tax rates	**154**
Effect of different tax rates applied by subsidiary companies	**(2)**
Effect of adjustments for income tax for prior period	**4**
Effect of income not subject to tax	**(24)**
Effect of costs, expenses and loss not deductible for tax purpose	**1**
Effect of deductible loss of deferred income tax assets not recognized in prior periods	**(3)**
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	**(17)**
Changes in the balance of deferred income tax assets/ liabilities at the beginning of the period resulting from tax rate adjustments	
Others	**2**
Income tax expenses	**115**

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

Profit in this period	Weighted average (ROE) *(%)*	EPS (Yuan per share) Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	0.96	0.053	0.053
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	0.90	0.050	0.050

11. SEGMENT INFORMATION

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

12. COMMITMENTS

Items	**30 June 2020**	31 December 2019
Investment contracts entered but not yet performed or performed partially	**14**	83
Construction and renovation contracts entered but not yet performed or performed partially	**2,291**	2,370
Total	**2,305**	2,453

13. SUBSEQUENT EVENTS

As of 30 June 2020, there were no subsequent events need to be disclosed.

14. NET CURRENT ASSETS

Items	**30 June 2020**	31 December 2019
Current assets	**25,646**	23,492
Less: Current liabilities	**30,101**	29,341
Net current assets/(liabilities)	**(4,455)**	(5,849)

15. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	**30 June 2020**	31 December 2019
Total assets	**89,836**	87,808
Less: Current liabilities	**30,101**	29,341
Total assets less current liabilities	**59,735**	58,467

II. REPORT OF THE BOARD OF DIRECTORS

(I) Overview

Due to the global spread of the COVID-19 pandemic in the first half of the year, the world economy declined. As a result of the weakening demand in the domestic and overseas steel markets, iron ore prices remaining high and slumping steel exports, the steel price saw a decline. All these caused the significant decrease in the profitability of the steel industry. In the face of the severe external situation, the Group accurately identified changes and made scientific response to them and solidly advanced the prevention and control of the COVID-19 pandemic. Firmly focusing on the production and operation targets, the Group strived to maintain a stable output scale, vigorously promoted innovation and reform, sped up in the implementation of intelligent manufacturing and accelerated the pace of scientific and technological innovation to prevent operating risks.

In the first half of the year, the Group achieved operating income of RMB44,650 million, representing a decrease of 12.58% over the corresponding period of the previous year. The total profit reached RMB618 million, representing a decrease of 66.52% over the corresponding period of the previous year. The net profit attributable to shareholders of the Company was RMB500 million, representing a decrease of 64.91% over the corresponding period of the previous year. The basic earnings per share were RMB0.053, representing a decrease of 65.13% over the corresponding period of the previous year.

1. Its production and operation remained stable. In the face of the sudden outbreak of the COVID-19 pandemic, the Group coordinated the implementation of pandemic prevention and control measures and production and operation, studied, judged and actively responded to the situation, and strengthened production interaction among three production bases in Anshan, Yingkou and Chaoyang. The Group appropriately arranged overhauls of certain production lines and equipment and improved the status of equipment, achieving its stable production. During the reporting period, the Group produced 12,647,900 tons of iron, representing a decrease of 2.53% over the corresponding period of the previous year; 12,591,700 tons of steel, representing a decrease of 8.07% over the corresponding period of the previous year; and 11,683,200 tons of rolled steel, representing a decrease of 8.31% over the correspond period of the previous year. Sale of rolled steel amounted to 11,519,400 tons, representing a decrease of 7.64% as compared with the corresponding period of the previous year. The Group achieved a sales-output ratio of 98.60%.

2. The cost reform achieved remarkable results. With reference to the standards of leading enterprises in the industry, the Group deeply tapped into internal potentials and implemented cost control for the whole process as well as other measures, achieving remarkable results in cost reduction. Its unit iron cost indicator is quite competitive in the industry. The unit iron cost of Chaoyang Iron and Steel and Bayuquan Branch Company was at the leading level in the domestic iron and steel industry. Indicators such as the utilization coefficient of blast furnaces, the coke ratio of iron-smelting and the yield rate continued to improve. The Group optimized its procurement structure based on market changes to improve the resilience in the procurement work. It reasonably adjusted the procurement cycle and locked resources in advance, which effectively reduced its procurement cost. Systematic management and control was strengthened to reduce energy consumption. In the first half of the year, the cost of outsourcing energy, fresh water consumption for each ton of steel, the recycling of converter gas and the proportion of self-generated power of the Group reached the best level in history. Financing channels were continuously expanded and the financing cost was significantly reduced. In the first half of the year, the overall financing cost of the Group hit a record low and financial expenses decreased by RMB119 million or 19.16% year on year.

3. Its enterprise reform continued to be deepened. While focusing on the main line of the market-oriented reform, the Group improved the differentiated management and control system and delegated more powers and authorization. By focusing on the two key reform factors of "authorization + same benefits", Chaoyang Iron and Steel's reform achieved initial results, and cost competitiveness has been initially formed. Bayuquan Branch Company comprehensively promoted the reform of the operating mechanism, earnestly turning management responsibilities into drivers for performing responsibilities. Contractual management was deepened. The Group signed contracts on contractual subcontracting operation with Chaoyang Iron and Steel, small production lines in large plants and other units. Marketing system reform was accelerated. The Group strengthened the separation of management and operation and established a price appraisal system with three points and four dimensions to highlight the incentive mechanism and stimulate the vitality of the marketing team; specified marketing strategies and regional positioning of the integrated construction to establish a strategic layout of domestic and overseas marketing; consolidated manufacturing, marketing, storage, logistics, terminal users and other industrial chains to effectively improve customer experience and strive to achieve intelligent marketing @ customers.

4. Its core competitiveness was steadily improved. In order to enhance the leading role of core technologies in the industry and the market competitiveness of strategic products and achieve the target of breaking technology "bottlenecks" and enhancing "knock-out products", the Group implemented special plans on improving quality and efficiency and shoring up weaknesses through technology. It signed target and task documents on 5 projects under the outstanding technology program. The Group increased research and development efforts and successfully developed the X80 low-temperature pipeline steel plates. It has completed production testing on high strength safety shell plates and the performance met the requirements on indicators. It actively conducted the layout of core patents. As at the end of June, the Company owned a total of 3,104 valid patents, of which 1,573 were inventions, accounting for 50.7%. The Company owned a total of 5 overseas patents. It formed patent groups in key technical fields and completed core patent layouts in key sectors. Angang Steel was identified as one of the "First Batch of High-value Patent Cultivation Centers in Liaoning Province".

5. The pace of smart manufacturing was accelerating. The Group firmly followed its development strategy and focused on promoting intelligent operation and the construction of intelligent factories, drove the upgrading of traditional industries with the upgraded information technology and adapted to the new development of information technology and new concepts on information construction to improve the intelligent operation of the corporate value chain covering the full life cycle. In the first half of the year, the Group commenced 24 information projects with fixed assets investments, 7 projects on the construction of intelligent factories and 17 projects including the construction of the information system. The Group fully initiated the overall improvement program on management and information. It sped up in the construction of intelligent demonstration production lines and completed the set-up and commencement of the construction of 15 intelligent projects under 6 demonstration production lines.

6. The level of risk management was significantly improved. The Company established a concept of safety development and fully carried out special campaigns on "eliminating hidden hazards", arranged all staff to participate in eliminating and rectifying hidden safety and fire hazards, which enhanced the construction of the safety management system and consolidated fundamental work on safety. It continued to carry out the "Thunderclap action" and achieved remarkable results in the comprehensive management system for public security. The Group held onto the bottom line of fund safety, strengthened the management of operating cash flow, optimized the receivable structure of the Company on sales and enhanced the connection among production, supply and sales, to improve the ability to obtain operating cash flow.

In the first half of the year, the Group's net cash flow from operating activities amounted to RMB4,779 million, representing a year-on-year increase of RMB1,014 million, which reflected its ability to generate capital being significant enhanced.

7. The construction of its ecological factories was promoted orderly. In the first half of the year, the Group firmly followed the concept that lucid waters and lush mountains are invaluable assets, actively fulfilled the corporate social responsibilities and implemented pollutant prevention and control measures. The Group implemented the environmental transformation plan in 2020 and formulated plans on pollutants treatment and the construction of the online monitoring system. The Group vigorously advanced the ultra-low emission transformation of environmental facilities. In the first half of the year, it carried out a total of 6 environmental transformation projects with a total investment of RMB15.11 million. It improved the environmental management system and strictly controlled environmental risks, achieving no major environmental pollution accident and an implementation rate of 100% in the environmental protection "three simultaneous" system for construction projects.

(II) Analysis of Principal Businesses

1. Overview

Unit: RMB million

Item	**The reporting period**	Corresponding period of the previous year	**Year-on-year increase/ decrease** *(%)*	**Reasons for the changes**
Operating income	**44,650**	51,074	-12.58	–
Operating costs	**40,742**	45,962	-11.36	–
Marketing expenses	**1,533**	1,539	-0.39	–
Administrative expenses	**592**	615	-3.74	–
Research and development expenses	**155**	214	-27.57	–
Financial expenses	**502**	621	-19.16	–

Item	**The reporting period**	Corresponding period of the previous year	**Year-on-year increase/ decrease** *(%)*	**Reasons for the changes**
Income tax expenses	**115**	422	-72.75	Income tax expenses decreased by RMB307 million as compared with the corresponding period of the previous year, mainly due to (i) the decrease in current income tax expenses by RMB100 million as compared with the corresponding period of the previous year; (ii) the decrease in deferred income tax adjustment by RMB207 million as compared with the corresponding period of the previous year.
Net cash flow from operating activities	**4,779**	3,765	26.93	–
Net cash flow from investing activities	**-1,280**	-1,588	19.40	–
Net cash flow from financing activities	**-417**	-2,550	83.65	Net cash outflow from financing activities decreased by RMB2,133 million as compared with the corresponding period of the previous year, mainly because (i) the cash payment for repayment of debts decreased by RMB1,297 million as compared with the corresponding period of the previous year; (ii) the cash payment for dividend and profit distribution and interest payment decreased by RMB1,082 million as compared with the corresponding period of the previous year.

Item	The reporting period	Corresponding period of the previous year	Year-on-year increase/ decrease (%)	Reasons for the changes
Net increase of cash and cash equivalents	**3,082**	-373	926.27	Net increase of cash and cash equivalents increased by RMB3,455 million as compared with the corresponding period of the previous year, mainly because (i) the net cash inflow from operating activities increased by RMB1,014 million as compared with the corresponding period of the previous year; (ii) the net cash outflow from investing activities decreased by RMB308 million as compared with the corresponding period of the previous year; (iii) the net cash outflow from financing activities decreased by RMB2,133 million as compared with the corresponding period of the previous year.

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

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

3. Composition of the principal businesses

Principal businesses of the Group by industry and product

Unit: RMB million

	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income as compared with the corresponding period of the previous year (%)	Increase/decrease in operating costs as compared with the corresponding period of the previous year (%)	Increase/decrease in gross profit margin as compared with the corresponding period of the previous year *(percentage point)*
By industry						
Steel pressing and processing industry	44,482	40,587	8.76	-12.45	-11.24	-1.24
By product						
Hot-rolled sheets products	13,207	11,529	12.71	-14.17	-12.27	-1.88
Cold-rolled sheets products	14,475	13,482	6.86	-11.52	-10.67	-0.88
Medium-thick plates	7,504	6,770	9.78	-10.83	-11.31	0.49
By geographical location						
China	42,855	39,053	8.87	-8.93	-7.39	-1.51
Export sales	1,627	1,534	5.72	-56.60	-56.84	0.51

Note:

The operating income of full range of products decreased as compared with the corresponding period of the previous year, primarily due to the decline in sales volume and product prices. The operating costs of full range of products decreased as compared with the corresponding period of the previous year, primarily due to the decline in sales volume and unit costs.

4. Liquidity and financial resources

As at 30 June 2020, the Group had long-term loans (exclusive of loans due within one year) of RMB3,988 million with interest rates ranging from 2.82% to 5.225% per annum and terms ranging from 3 to 7 years. These loans, falling due in 2023, are mainly used for replenishing the working capital of the Group. The Group's long-term loans due within one year amounted to RMB1,303 million.

With good credit standing, the Group was reviewed and assigned a long-term credit rating of "AAA" by the rating committee of China Chengxin International Credit Rating Co., Ltd. in 2020. The Group is able to repay its debts as they fall due.

As at 30 June 2020, the Group had a total capital commitment of RMB2,305 million, which was primarily attributable to the investment contracts of RMB14 million entered into but not yet performed or partially performed and construction and renovation contracts of RMB2,291 million entered into but not yet performed or partially performed.

5. Foreign exchange risk

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

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

(III) Analysis of Non-Principal Businesses

Unit: RMB million

	Amount	As a percentage of total profit *(%)*	Reasons	Sustainable or not
Investment income	88	14.24	Mainly included income from long-term equity investments accounted for using equity method and dividend income from other equity instrument investments during the holding period.	Yes
Asset impairment losses	-156	-25.24	Mainly due to the impairment provision for inventories.	No

(IV) Assets and Liabilities

1. *Significant changes in composition of assets*

Unit: RMB million

	30 June 2020		31 December 2019			
	Amount	**As a percentage of total assets** *(%)*	Amount	As a percentage of total assets *(%)*	**Increase/ decrease (percentage point)**	**Explanation for significant changes**
Monetary capital	**7,753**	**8.63**	4,671	5.32	3.31	–
Notes receivable	**227**	**0.25**	2,635	3.00	-2.75	–
Accounts receivables	**1,944**	**2.16**	2,569	2.93	-0.77	–
Inventories	**10,488**	**11.67**	9,793	11.15	0.52	–
Long-term equity investments	**2,932**	**3.26**	2,894	3.30	-0.04	–
Fixed assets	**49,858**	**55.50**	50,966	58.04	-2.54	–
Construction in progress	**2,002**	**2.23**	1,549	1.76	0.47	–
Short-term loans	**11,855**	**13.20**	12,195	13.89	-0.69	–
Long-term loans	**3,988**	**4.44**	3,392	3.86	0.58	–

2. *Assets and liabilities measured at fair value*

Unit: RMB million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Changes in fair value reported in equity	Impairment provision made for the period	Purchases during the period	Disposals during the period	Closing balance
Financial assets							
Including:							
1. Financial assets held for trading (excluding derivative financial assets)	38	-12	–	–	–	–	**26**
2. Derivative financial assets	0	2	–	–	–	–	**2**
3. Other debt investment	–	–	–	–	–	–	**–**
4. Other equity instrument investments	465	–	-355	–	–	–	**483**
Sub-total of financial assets	503	-10	-355	–	–	–	**511**
Investment properties	–	–	–	–	–	–	**–**
Productive biological assets	–	–	–	–	–	–	**–**
Others	–	–	–	–	–	–	**–**
Total	503	-10	-355	–	–	–	**511**
Derivative financial liabilities	0	–	–	–	–	–	**0**

Material changes in measurement of major assets during the reporting period

☐ Yes ☑ No

3. Gearing ratio

As at 30 June 2020 and 31 December 2019, the Group's equity-to-debt ratio was 1.41 times and 1.49 times, respectively.

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

(1) Notes receivable: The Group pledged notes receivable with a carrying amount of RMB17 million to banks in the period to secure notes payable of RMB17 million. The term of the pledge is from January 2020 to December 2020.

(2) Receivable financing: The Group pledged notes receivable with a carrying amount of RMB80 million to banks in the period to secure notes payable of RMB80 million. The terms of the pledge of RMB9 million and RMB71 million are from June 2020 to September 2020 and from January 2020 to December 2020, respectively.

5. Contingent liabilities

As at 30 June 2020, the Group had no contingent liabilities.

(V) Work Plan for the Second Half of 2020

At present, the pandemic in the PRC is under control but the pandemic in other parts of the world is still spreading, which resulted in the global economy being in deep recession and economic globalization facing a countercurrent. As the China's macro policies to hedge against the impact of the pandemic were gradually rolled out, especially the policies and measures relating to "six stabilities" and "six guarantees" gradually took effect, the domestic economic operation generally recovered and continued to improve. The downstream steel-using industries resumed the production and work in an orderly manner and accelerated the construction of major infrastructure projects, the supply and demand ends in the manufacturing industry continued to recover, and the consumer market continued to improve. Therefore, the "steel demand" increased significantly, and steel companies are undergoing a rare period of market opportunities. Faced with the complex and changeable internal and external environment, the Company will consistently strengthen party building, practice the concept of "intensification, reduction, intelligence @customers", optimize spatial layout, product layout and industrial layout, and improve its abilities of efficiency improvement reform, cost reform, service leading, leading technology, intelligent production and ecological integration. It will also maintain strategic determination and seize favorable opportunities to ensure steady growth in operating efficiency.

Focusing on the Company's overall annual operating goals, the Company will primarily carry out the following work in the second half of the year:

1. Highlight strategic leading and optimize industrial layout.

2. Adhere to the innovation drives and accelerate intelligent production.

3. Strengthen refined management and control and improve quality and efficiency.

4. Monitor the reform implementation and release the vitality of development.

5. Enhance brand building and expand market share.

6. Establish bottom-line thinking and enhance risk prevention.

7. Uphold the Party's leadership and strengthen party building.

(VI) Analysis of Investments

1. Overview

External investments

Investments for the reporting period *(RMB million)*	**Investments for the corresponding period of the previous year** *(RMB million)*	**Change** *(%)*
119	70	70

2. Significant equity investments made during the reporting period

☐ Applicable ☑ Not applicable

3. Significant non-equity investments being conducted during the reporting period

☐ Applicable ☑ Not applicable

4. *Financial asset investments*

(1) Securities investments

Unit: RMB million

Stock type	Stock code	Stock abbreviation	Initial investment	Accounting measurements	Book value at the beginning of the period	Gains or losses on fair value change for the current period	Accumulative changes in fair value reported in equity	Purchase amount for the current period	Disposal amount for the current period	Loss or gain during the reporting period	Book value at the end of the period	Accounting item	Source of funds
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	38	-12	–	–	–	–	26	Financial asset held for trading	Self-owned funds

(2) Derivatives investments

Unit: RMB million

Name of the derivatives investment operator	Relationship with the Group	Related party transaction or not	Type of derivatives investment	Initial investment amount of derivatives	Date of commencement	Date of termination	Investments at the beginning of the period	Purchase amount during the reporting period	Disposal amount during the reporting period	Provision for impairment (if any)	Investments at the end of the period	Proportion of investments at the end of the period to net assets of the Company at the end of the reporting period	Actual profit or loss during the reporting period
Angang Steel	None	No	Futures hedging	1	29 April 2015	–	164	434	738	–	165	0.31%	3
Total				1	–	–	164	434	738	–	165	0.31%	3

Source of funds for derivative investments	Self-owned funds
Litigation case (if applicable)	None
Date of the announcement disclosing the approval of derivatives investment by the Board	On 27 March 2020, the Resolution in Relation to the Company's 2020 Annual Hedging Business Amount was approved at the 21st meeting of the eighth session of the Board.
Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting	None

Risk analysis of positions in derivatives during the reporting period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	(1) Market risk exists when the position held by the Company is related to the steel products industry, which is highly relevant to spot commodity operated by the Company. Although the Company makes regular analysis and forecast on the market, the judgment on the market may be deviated, resulting in potential risk. However, the risk is controllable after futures hedging with spot commodities. (2) As the category of position held has sufficient liquidity, there is no liquidity risk. (3) The Futures Exchange provides credit guarantee for the category of position held, thus the credit risk is minimal. (4) The Company carries out such business in strict compliance with the relevant requirements of hedging and total holding position and term are in line with the Company's approval. The Company has performed evaluation of relevant legal risks. Business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and thus, risks can be controlled.
Changes in market price or fair value of derivatives invested during the reporting period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value	Deformed bar, hot-rolled coil and nickel quoted on the Shanghai Futures Exchange; iron ore and coking coal quoted on the Dalian Commodity Exchange; on 2 January 2020, the consecutive dominant contract settlement prices of deformed bar, hot-rolled coil, nickel, iron ore and coking coal were RMB3,563/ton, RMB3,587/ton, RMB111,060/ton, RMB655.5/ton and RMB1,173/ton, respectively; on 30 June 2020, the consecutive dominant contract settlement prices of deformed bar, hot-rolled coil, nickel, iron ore and coking coal were RMB3,568/ton, RMB3,583/ton, RMB102,610/ton, RMB744/ton and RMB1,177.5/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, nickel, iron ore and coking coal were +RMB5/ton, -RMB4/ton, -RMB8,450/ton, +RMB88.5/ton and +RMB4.5/ton, respectively.

Explanations of any significant changes in the Company's accounting policies and specific accounting principles on derivatives adopted during the reporting period as compared with those of the last reporting period	N/A
Specific opinions of independent Directors on the derivatives investment and risk control of the Company	(1) The Company utilized self-owned capital for the development of futures hedging business under its assurance of its normal production and operation, and performed related approval procedures in compliance with relevant requirements of the applicable laws and regulations and the Articles of Association of the Company, which was beneficial to the reduction of operating risks of the Company, without prejudice to the interest of the Company and the shareholders as a whole. (2) The Company established the Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and clarified internal control procedures such as the business operation procedures, approval process and risk prevention and control, thereby providing assurance for the Company's control of hedging-related risks. (3) The Company confirmed that the maximum amount and the types of products for trading under the annual hedging guarantees were reasonable and in line with the actual situation of production and operation of the Company, and thus, favorable to the Company's reasonable control over trading risks.

(VII) Disposal of Significant Assets and Equity Interests

1. Disposal of significant assets

☐ Applicable ☑ Not applicable

2. Disposal of significant equity interests

☐ Applicable ☑ Not applicable

(VIII) Analysis of Major Subsidiaries and Investees

Unit: RMB million

Name of companies	Type of companies	Principal activities	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Chaoyang Iron and Steel	Limited Liability Company	Iron and steel smelting, steel pressing and processing and distribution of steel products	8,000	5,545	4,372	3,946	331	271
Angang Financial Company	Limited Liability Company	Deposit, lending and financing	4,000	26,779	7,299	455	392	295

(IX) Structured Entities Controlled by the Company

☐ Applicable ☑ Not applicable

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

(XI) Securities Transactions by Directors

The Board has adopted the relevant code for directors' securities transactions for the purpose of complying with the Hong Kong Listing Rules. In response to the Company's specific enquiries with all Directors, the Directors have confirmed that they have complied with the standards set out in Appendix 10 to the Listing Rules.

(XII) Independent Non-Executive Directors

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

(XIII) Audit Committee

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

The Audit Committee and the management have reviewed the accounting standards, principles and measurements adopted by the Company, and considered the related audit, internal control and the unaudited interim financial report for the six months ended 30 June 2020.

III. SIGNIFICANT MATTERS

(I) Proposals of Profit Distribution and Transfer of Reserve to Share Capital during the Reporting Period

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

(II) Explanation of Changes in Accounting Policies, Accounting Estimates and Accounting Method of the Group during This Year as Compared with the Financial Report of the Previous Year

1. Changes in accounting policies

There was no change in accounting policies of the Group during the current reporting period.

2. Changes in accounting estimates

There was no change in accounting estimates of the Group during the current reporting period.

(III) Major Connected Transactions

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

1. *Connected transactions related to daily operations*

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	3,383	17.01	27,336	No	In cash	–
Angang Group Mining Gongchangling Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,623	8.16			In cash	–
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,189	5.98			In cash	–
Angang International Trade	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	859	4.32			In cash	–
Angang Group Anqian Mining Company Limited	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	758	3.81			In cash	–
Shanxi Wuchan International Energy Co., Ltd. (山西物產國際能源有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	742	3.73			In cash	–
Angang Group Guanbaoshan Mining Co. Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	604	3.04			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	550	2.77			In cash	–
Sub–total	–	–	Purchase main materials	–	–	9,708	48.83			–	–
Anshan Steel Metallurgy Lucai Technology Co., Ltd. (鞍山鋼鐵冶金爐材科技有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	–	391	6.99	3,569	No	In cash	–
Angang Naihuo Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	–	302	5.40			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	–	474	8.48			In cash	–

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Sub–total	–	–	Purchase auxiliary materials	–	–	1,167	20.87			–	–
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	–	714	35.88	1,950	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	–	21	1.06			In cash	–
Sub–total	–	–	Procurement of energy and power	–	–	735	36.93			–	–
Delin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	964	18.32	6,341	No	In cash	–
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	369	7.01			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	–	240	4.56			In cash	–
Angang Construction Group Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	230	4.37			In cash	–
Angang Auto Transport Co., Ltd	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	173	3.29			In cash	–
Angang Group Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	157	2.98			In cash	–
Angang Group Energy–saving Technology Service Co., Ltd (鞍鋼集團節能技術服務有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	151	2.87			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	790	15.01			In cash	–

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Sub–total	–	–	Receive supporting services	–	–	3,074	58.42			–	–
Delin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	–	667	1.59	5,398	No	In cash	–
Angang Green Resources Technology Co., Ltd.	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	–	221	0.53			In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sales of products	Market principle	–	371	0.89			In cash	–
Sub–total	–	–	Sales of products	–	–	1,259	3.01			–	–
Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Sell scrap steel material and abandoned material	Market principle	–	107	81.06	361	No	In cash	–
Sub–total	–	–	Sell scrap steel material and abandoned material	–	–	107	81.06			–	–
Angang Holding	Controlling shareholder	Sales of goods/ Provide services	Provide comprehensive services	Market principle	–	281	11.88	2,028	No	In cash	–
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Sales of goods/ Provide services	Provide comprehensive services	Market principle	–	106	4.48			In cash	–
Sub–total	–	–	Provide comprehensive services	–	–	387	16.36			–	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interest	Market principle	–	16	69.57	50	No	In cash	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	–	3,500	–	3,500	No	–	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	–	2	0.43	250	No	In cash	–

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount *(RMB million)*	As a percentage of the amount of similar transactions *(%)*	Transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan	Market principle	–	50	100	2,000	No	In cash	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	–	0	0	120	No	In cash	–

Particulars on refund of bulk sale	–
Estimated total amount for continuing connected transactions to be conducted during the period and their actual implementing during the reporting period	During the reporting period, the total amount of continuing connected transactions of the Company did not exceed the relevant caps applicable to such types as specified under the Continuing Connected Transaction Agreements which were approved at the general meeting and the estimated amount of various continuing connected transactions at the beginning of the year.
Reason for the large 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, scrap steel, abandoned materials and comprehensive services to Angang Group which is a client of the Company.

2. *Connected transactions in relation to acquisition or disposal of assets or equity*

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

3. Connected transactions in relation to joint external investments

Unit: RMB million

Joint parties	Connected relationship	Investee	Principal business of the investee	Registered capital of the investee	Total assets of the investee	Net assets of the investee	Net profit of the investee
Angang Holding	Controlling shareholder	Delin Zhilian	E-commerce; online sales of steel and iron and supply chain finance, etc.	60	75	61	1
Progress of significant projects under construction of the investee (if applicable)				–			

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

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

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

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

(V) Material Contracts and Their Implementation

1. Entrustment, contracting and leasing matters.

(1) Entrustment

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

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

(2) Contracting

There was no any contractual arrangement during the reporting period.

(3) Leasing

The Company used certain land assets of Angang Holding and its subsidiaries for its production and operation. Pursuant to the Land Lease Agreements entered into between the Company and relevant parties, the Company paid a land leasehold payment with reference to the market rates to Angang Holding and its subsidiaries, with a total amount of RMB35 million in the first half of 2020.

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

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

3. ***The Company did not enter into any other material agreement during the reporting period.***

(VI) Corporate Governance of the Company

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

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

The Company has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has reviewed its corporate governance practices regularly. Save as set out below, the Company complied with all Code Provisions during the reporting period.

(1) According to provision A.1.8 in Appendix 14 to the Hong Kong Listing Rules, "an issuer should arrange appropriate insurance cover in respect of legal action against its directors".

    The Company did not arrange any insurance cover for its Directors in the first half of 2020.

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

(2) According to provision E.1.2 in Appendix 14 to the Hong Kong Listing Rules, "The chairman of the board should attend the annual general meeting".

The chairman of the Company, Mr. Wang Yidong, has not attended the annual general meeting of the Company in person due to corporate affairs, and appointed Mr. Li Zhen, the Director of the Company, to attend and preside over the meeting on his behalf.

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

Anshan City, Liaoning Province, the PRC
28 August 2020

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

Executive Directors:	*Independent Non-executive Directors:*
Yidong Wang	Dajun Wu
Zhen Li	Changli Feng
Zhongwu Li	Jianhua Wang
Lianyong Ma	Wanglin Wang