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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)

First Quarter Financial Report 2021

The board of directors (the "**Board**") of Angang Steel Company Limited* (鞍鋼股份有限公司) (the "**Company**") is pleased to announce the unaudited results of the Company and its subsidiaries for the three months ended 31 March 2021 (the "**Reporting Period**"), prepared in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China. This announcement is made pursuant to Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The contents of this announcement are consistent with the announcement published on the Shenzhen Stock Exchange. This announcement is published simultaneously in Hong Kong and Shenzhen.

SECTION I IMPORTANT NOTICE

The Board, the supervisory committee of the Company, the directors, supervisors and senior management members warrant the truthfulness, accuracy, and completeness of the contents of this quarterly report, and that there is no false representation or misleading statement contained in, or material omission from this quarterly report and assume joint and several legal liabilities.

All directors have attended the Board meeting to consider this quarterly report.

Wang Yidong, person-in-charge of the Company, Wang Baojun, Chief Accountant and You Yu, person-in-charge of the accounting institution, warrant the truthfulness, accuracy and completeness of the financial statements in this quarterly report.

The first quarter financial report of the Company is unaudited.

SECTION II BASIC INFORMATION OF THE COMPANY

I. Principal accounting figures and financial indicators

Whether the Company has made retrospective adjustment to, or restatement of, the accounting data of prior year(s)

☐ Yes ☑ No

Unit: RMB million

	The Reporting Period	Corresponding period of the previous year	Increase/decrease in the Reporting Period as compared with the corresponding period of the previous year
Operating revenue	**31,878**	20,337	56.75%
Net profit attributable to the shareholders of the Company	**1,520**	292	420.55%
Net profit attributable to the shareholders of the Company after extraordinary items	**1,530**	272	462.50%
Net cash flow from operating activities	**1,908**	-3,064	162.27%
Basic earnings per share *(RMB/share)*	**0.162**	0.031	422.58%

	The Reporting Period	Corresponding period of the previous year	Increase/decrease in the Reporting Period as compared with the corresponding period of the previous year
Diluted earnings per share *(RMB/share)*	**0.160**	0.031	416.13%
Weighted average return on net assets *(%)*	**2.81**	0.56	Increased by 2.25 percentage points

	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease in the Reporting Period as compared with the corresponding period of the previous year
Total assets	**89,354**	88,046	1.49%
Net assets attributable to the shareholders of the Company	**54,926**	53,365	2.93%

Extraordinary items and amounts

☑ Applicable ☐ Not applicable

Unit: RMB million

Item	Amount from the beginning of the year to the end of the Reporting Period
Profit or loss on disposal and scrapping of non-current assets	**-20**
Government subsidies (except for government subsidies which are closely related to the Company's operations, in which the Company is entitled to a fixed amount or quantity in conformity with the common standards of the State) attributable to gains or losses for the period	**15**
Changes in fair value of financial assets held for trading	**-5**
Changes in fair value of other non-current liabilities (portion of derivative financial instruments)	**-5**
Other non-operating income and expenses apart from those stated above	**1**
Sub-total	**-14**
Less: Effect of income tax	**-4**
Total	**-10**

Please explain the reasons for the Company's extraordinary gain or loss items as defined in the Explanatory Announcement on Information Disclosure by Companies Offering Their 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 Their Securities to the Public No. 1 – Extraordinary Gains or Losses which have been defined accordingly as recurring gain or loss items.

☐ Applicable ☑ Not applicable

During the Reporting Period, the Company does not have any item of extraordinary gain or loss as defined and illustrated in accordance with the Explanatory Announcement on Information Disclosure by Companies Offering Their Securities to the Public No. 1 – Extraordinary Gains or Losses as an item of recurring gain or loss.

II. Statement of the total number of shareholders and the particulars of the shareholdings of the top 10 shareholders as at the end of the Reporting Period

1. Statement of the total number of holders of ordinary shares and holders of preference shares with restored voting rights, and the particulars of the shareholdings of the top 10 shareholders

Unit: share

Total number of holders of ordinary shares as at the end of the Reporting Period	90,489, amongst whom 484 are holders of H shares	Total number of holders of preference shares with restored voting rights as at the end of the Reporting Period (if any)	0

Shareholding of the top 10 shareholders

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of shares held	Number of shares held subject to selling restrictions	Pledged or frozen Status of shares	Pledged or frozen Number
Anshan Iron & Steel Group Co. Ltd (鞍山鋼鐵集團有限公司)	State-owned legal person	53.33%	5,016,111,529	0	–	–
HKSCC (Nominees) Limited	Overseas legal person	14.86%	1,397,250,196	0	–	–
China National Petroleum Corporation (中國石油天然氣集團有限公司)	State-owned legal person	8.98%	845,000,000	0	–	–
Power Construction Corporation of China (中國電力建設集團有限公司)	State-owned legal person	4.98%	468,000,000	0	–	–
Hong Kong Securities Clearing Company Limited	Overseas legal person	2.64%	247,960,073	0	–	–
Central Huijin Asset Management Limited (中央匯金資產管理有限責任公司)	State-owned legal person	1.00%	94,348,670	0	–	–
#Ma Liang	Domestic natural person	0.57%	53,819,110	0	–	–
#Liao Qiang	Domestic natural person	0.21%	20,083,000	0	–	–
Fang Wei	Domestic natural person	0.18%	17,380,756	0	–	–
Taikang Life Insurance Co., Ltd. – Dividend – Individual Dividend -019L-FH002 Shenzhen	Others	0.18%	17,236,100	0	–	–

Shareholding of the top 10 shareholders not subject to trading moratorium

Name of shareholder	Number of shares not subject to trading moratorium	Class of shares	
		Class of shares	Number
Anshan Iron & Steel Group Co. Ltd	5,016,111,529	Renminbi ordinary shares	5,016,111,529
HKSCC (Nominees) Limited	1,397,250,196	Overseas-listed foreign shares	1,397,250,196
China National Petroleum Corporation	845,000,000	Renminbi ordinary shares	845,000,000
Power Construction Corporation of China	468,000,000	Renminbi ordinary shares	468,000,000
Hong Kong Securities Clearing Company Limited	247,960,073	Renminbi ordinary shares	247,960,073
Central Huijin Asset Management Limited	94,348,670	Renminbi ordinary shares	94,348,670
#Ma Liang	53,819,110	Renminbi ordinary shares	53,819,110
#Liao Qiang	20,083,000	Renminbi ordinary shares	20,083,000
Fang Wei	17,380,756	Renminbi ordinary shares	17,380,756
Taikang Life Insurance Co., Ltd. －Dividend－Individual Dividend -019L-FH002 Shenzhen	17,236,100	Renminbi ordinary shares	17,236,100

Explanations on the connected relationship or concert party relationship among the shareholders mentioned above	The Company is not aware of any connected relationship among the above shareholders of the Company or any such shareholders acting in concert within the meaning of the Procedures on the Administration of Information Disclosure for Change in Shareholdings of the Shareholders of Listed Companies.
Description of top ten shareholders to participate in financing business (if any)	Among the top ten shareholders, Ma Liang held 44,552,000 shares through an investor credit securities account, and held 9,267,110 shares through an ordinary securities account. Liao Qiang held 20,082,854 shares through an investor credit securities account, and held 146 shares through an ordinary securities account.

Whether any of the top 10 holders of ordinary shares and the top 10 holders of ordinary shares not subject to selling restriction(s) of the Company conducted any transactions on agreed repurchases during the Reporting Period

☐ Yes ☑ No

The top 10 holders of ordinary shares and the top 10 holders of ordinary shares who are not subject to selling restriction(s) of the Company did not conduct any transactions on agreed repurchases during the Reporting Period.

SECTION III SIGNIFICANT EVENTS

I. Changes in the major financial data and financial indicators during the Reporting Period and reasons for the changes

☑ Applicable ☐ Not applicable

During the first quarter of 2021, the Company seized the favorable opportunities from the recovery of the steel and iron market, overcame the impact of the COVID-19 pandemic, production limitation in haze days and other unfavorable factors and focused on improving efficiency, leading to an another record high of production amount; actively promoted cost reform, which led to effective control of cost; pursued quantity reduction development, which led to the stable improvement of technique and economic indicators; strengthened refined management, leading to continuous improvement of product quality; effectively allocated its resources, adjusted variety structure, promoted synergy between production and sales and vigorously expanded market, hence, the operating results achieving significant increase as compared with the corresponding period of the previous year.

Changes in major financial data and financial indicators and reasons for the changes are as follows:

1. The increase of RMB11,541 million in operating income during the Reporting Period as compared with the corresponding period of the previous year was mainly due to the increase in sales volume and rise in product price during the Reporting Period.

2. The increase of RMB9,783 million in operating costs during the Reporting Period as compared with the corresponding period of the previous year was mainly due to the increase in sales volume and rise in the price of raw materials during the Reporting Period.

3. The increase of RMB60 million in research and development expenses during the Reporting Period as compared with the corresponding period of the previous year was mainly due to the increase in fees for trial production of new products.

4. The increase of RMB35 million in investment income during the Reporting Period as compared with the corresponding period of the previous year was mainly due to (i) the increase of RMB45 million in income from investment in joint ventures and associates; (ii) the decrease of RMB10 million in income from investment in commodity futures.

5. The decrease of RMB38 million in gains from fair value variation during the Reporting Period as compared with the corresponding period of the previous year was mainly due to the changes in fair value of derivative financial instruments and others.

6. The decrease of RMB143 million in impairment losses on assets during the Reporting Period as compared with the corresponding period of the previous year was mainly due to (i) the loss of RMB22 million in release of depreciation of inventory during the Reporting Period; (ii) the provision of RMB121 million made for depreciation of inventory during the corresponding period of the previous year.

7. The increase of RMB1 million in non-operating income during the Reporting Period as compared with the corresponding period of the previous year was mainly due to the increase in gains from government grants which were included in non-operating income.

8. The increase of RMB5 million in non-operating expenses during the Reporting Period as compared with the corresponding period of the previous year was mainly due to the increase in loss on retirement of fixed assets.

9. The significant increase in operating profit, total profit, net profit, net profit attributable to the owner of the parent company during the Reporting Period as compared with the corresponding period of the previous year was mainly due to that in the first quarter of 2021, with the increasing prosperity in the steel and iron industry, the Company seized the favorable opportunities from the recovery of the steel and iron market, vigorously expanded the market, strengthened marketing management, promoted the synergy between production and sales, effectively allocated resources, adjusted the variety structure, deeply tapped the potential for internal cost reduction and efficiency enhancement, and strictly refined the management, leading to continuous improvement of all-factor production efficiency and consistent upward development of production and operation.

10. The increase of RMB446 million in income tax expenses during the Reporting Period as compared with the corresponding period of the previous year was mainly due to the increase in total profit of the Company as compared with the corresponding period of the previous year, which affected the income tax for the current period.

11. The increase of RMB95 million in notes receivable as compared with the end of the previous year was mainly due to the increase in notes received in the process of sales as a result of the rise in the price of steel products.

12. The increase of RMB390 million in receivables financing as compared with the end of the previous year was mainly due to the increase in notes received in the process of sales as a result of the rise in the price of steel products.

13. The increase of RMB19 million in other receivables as compared with the end of the previous year was mainly due to the increase in disposal of fixed assets which led to the increase in other receivables.

14. The increase of RMB117 million in other current assets as compared with the end of the previous year was mainly due to the increase in outstanding VAT credit.

15. The decrease of RMB4,380 million in short-term loans as compared with the end of the previous year was mainly due to the repayment of borrowings to banks.

16. The increase of RMB1,264 million in notes payable as compared with the end of the previous year was mainly due to the increase in notes rendered to meet the need for payment in notes.

17. The increase of RMB500 million in non-current liabilities due within 1 year as compared with the end of the previous year was mainly due to the impact of the transferred long-term borrowings due within 1 year.

18. The increase of RMB45 million in special reserve as compared with the end of the previous year was mainly due to the provision for safety production expenses.

19. The increase of RMB4,972 million in net cash flow from operating activities as compared with the corresponding period of the previous year was mainly due to (i) the sales volume and unit price of the steel products during the Reporting Period were both higher than that of the corresponding period of the previous year, which led to the increase of RMB14,128 million in cash received from sales of goods as compared with the corresponding period of the previous year; (ii) the increase in the sales volume and the price of raw materials during the Reporting Period, which led to the increase of RMB8,738 million in cash expenditure on purchase of goods and receipt of services; (iii) the increase of RMB371 million in tax and charges payment.

20. The decrease of RMB449 million in net cash outflow from investing activities as compared with the corresponding period of the previous year was mainly due to (i) the decrease of RMB486 million in cash paid for acquisition of fixed assets, intangible assets and other long-term assets; (ii) the increase of RMB89 million in cash paid for other investing related activities.

21. The decrease of RMB5,151 million in net cash flow from financing activities as compared with the corresponding period of the previous year was mainly due to (i) the decrease of RMB5,530 million in cash receipt from borrowings obtained as compared with the corresponding period of the previous year; (ii) the decrease of RMB217 million in cash paid for the repayment of borrowings as compared with the corresponding period of the previous year.

II. Progress and impact of significant events and the analysis on solutions

☑ Applicable ☐ Not applicable

On 8 January 2021, the Resolution on the Adjustment in Relevant Matters of the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited*(《關於調整鞍鋼股份有限公司2020年限制性股票激勵計劃相關事項的議案》) and the Resolution on the First Grant of the Restricted Shares to Incentive Participants (《關於向激勵對象首次授予限制性股票的議案》) were considered and approved at the thirty-eighth meeting of the eighth session of the Board and the thirteenth meeting of the eighth session of the Supervisory Committee the Company. The first grant date of the 2020 Restricted Share Incentive Scheme was 8 January 2021.

On 27 January 2021, the Company completed the registration for the first grant of the 2020 Restricted Share Incentive Scheme and the listing date of the grated restricted shares was 27 January 2021.

On 7 February 2021, the Company was informed that Li Wenbing, a supervisor, had surrendered himself. Li Wenbing is currently under the disciplinary review by the CPC Commission for Discipline Inspection of Angang Group Company Limited* and the supervision investigation by the Supervision Committee of Anshan City (鞍山市監察委員會) for being potentially involved in serious breach of discipline and law. At present, the relevant reviews and investigations are still in progress.

Implementation of shares repurchase

☐ Applicable ☑ Not applicable

The implementation of reducing shareholdings in shares repurchased through centralized bidding

☐ Applicable ☑ Not applicable

III. The undertakings not being fully performed by actual controllers, shareholders, related parties and offerors of the Company as well as undertaking-related companies concerned during the Reporting Period

☑ Applicable ☐ Not applicable

Undertaking	Undertaker	Type of Undertaking	Details of undertaking	Time of undertaking	Period of undertaking	Performance of undertaking
Undertakings made during assets restructuring	Anshan Iron & Steel Group Co. Ltd	Industry competition undertakings	Non-competition Undertaking Letter of Anshan Iron & Steel Group Co. Ltd ("**Anshan Holding**") (《鞍山鋼鐵集團有限公司避免同業競爭承諾函》: (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 controlling 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 preemption rights for the assets and business to be disposed of by Angang Holding or the wholly-owned and controlling subsidiaries of Angang Holding, which are related to the principal 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, when required by the Company, 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.	20 May 2007	Indefinite	There was no breach of such undertaking

Undertaking	Undertaker	Type of Undertaking	Details of undertaking	Time of undertaking	Period of undertaking	Performance of undertaking
			(5) If Angang Holding and its wholly-owned and controlling subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes to purchase such assets and business, Angang Holding and its wholly-owned and holding subsidiaries will transfer the relevant assets and business to the Company in priority based on reasonable prices and terms 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 regarding any 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 controlling subsidiaries have the rights to invest in the new business only if the Company expressly refuses to pursue such opportunity of new business. If the Company proposes to acquire such business in the future, Angang Holding and its wholly-owned and controlling subsidiaries are still required to transfer the assets and business formed by such opportunities to the Company in priority based on reasonable prices and terms.			

Undertaking	Undertaker	Type of Undertaking	Details of undertaking	Time of undertaking	Period of undertaking	Performance of undertaking
			(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 relevant materials or services required 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 to engage in businesses not prohibited by the State. Such undertakings became effective from the date of issuance, and shall be terminated upon the occurence of one of the following conditions: (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 exchange (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, the relevant parts shall be terminated automatically.			

Undertaking	Undertaker	Type of Undertaking	Details of undertaking	Time of undertaking	Period of undertaking	Performance of undertaking
			Considering that Angang Holding does not have any iron and steel production projects put into 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 competition with the Company before the date of the issuance of the undertaking letter.			
Whether the undertakings have been timely performed			Yes			

There were no undertakings not being fully performed by actual controllers, shareholders, related parties and offerors of the Company as well as undertaking-related companies concerned during the Reporting Period.

IV. Investment in Financial Assets

1. Investment in securities

☑ Applicable ☐ Not applicable

Unit: RMB million

Stock type	Stock code	Abbreviation	Initial investment cost	Accounting measurement model	Book value at the beginning of the Reporting Period	Gains and losses from changes in fair value during the Reporting Period	Accumulated changes in fair value reported in equity	Purchase amount during the Reporting Period	Disposal amount during the Reporting Period	Loss or gain during the Reporting Period	Book value at the end of the Reporting Period	Accounting item	Source of funds
Shares	600961	Zhuzhou Group (株冶集團)	81	Measured at fair value	34	5	–	–	–	5	29	Financial assets held for trading	Self-financed funds
Other securities investments held at the end of the Reporting Period			–	–	–	–	–	–	–	–	–	–	–
Total			81	–	34	5	–	–	–	5	29	–	–

Disclosure date of the Board's announcement on approval of securities investments	–
Disclosure date of the general meeting announcement on approval of securities investments (if any)	–

2. Investment in derivatives

☑ Applicable ☐ Not applicable

Unit: RMB million

Name of the derivative investment operator	Connected relationship	Related party transaction or not	Type of derivative investment	Initial investment amount of derivative investment	Date of commencement	Date of termination	Investments at the beginning of the Reporting Period	Purchase amount during the Reporting Period	Disposal amount during the Reporting Period	Provision for impairment (if any)	Investments at the end of the Reporting 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	–	150	678	493	–	180	0.32%	-31
Angang Steel	None	No	Foreign exchange rate swap	–	29 October 2020	18 May 2021	–	–	–	–	–	–	0
Total				1	–	–	150	678	493	–	180	0.32%	-31

Source of funds for derivative investments	Self-owned funds
Litigation involved (if applicable)	None
Date of the announcement disclosing the approval of derivative investment by the Board (If any)	On 30 March 2021, the Resolution in relation to the Company's 2021 Annual Hedging Business Amount was approved at the 41st meeting of the eighth session of the Board. On 29 October 2020, the Resolution in relation to the Carrying out of Foreign Exchange Hedging Business by the Company was approved at the 29th meeting of the eighth session of the Board.
Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting (If any)	None
Risk analysis on positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risks, liquidity risks, credit risks, operation risks, legal risks, etc.)	❖ Futures hedging: (1) Market risks exist when the category of the position held by the Company is related to the steel industry, which is highly relevant to spot commodities operated by the Company. Although the Company makes regular analysis and estimation on the market, the judgment on the market may be deviated, resulting in potential risks. However, the risk is controllable after futures are hedged with spot commodities. (2) As the category of posit ions held has a sufficient level of liquidity, there is no liquidity risk. (3) The Futures Exchange provides credit guarantee for the category of positions 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 positions held and the time are in line with the Company's approval. The Company has performed assessment of relevant legal risks. Since business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and thus, risks can be controlled.

❖ Foreign exchange hedging:

The hedging process is to first enter into a swap contract with a bank and purchase foreign exchange at the agreed price at maturity. The purpose of the transaction is to prevent against the exchange rate risk arising from the sell-back of convertible bonds by investors in May 2021. The transaction is simple and convenient to conduct and there exists no significant risk. However, there may exists risk of mismatch between the sell-back amount and the Company's hedge amount due to the uncertainty of investors' intention to resell in the future.

Control measures:

(1) In order to regulate the behavior of foreign exchange derivatives trading and strengthen the supervision and management of foreign exchange derivatives trading business, the Company has issued the Foreign Exchange Capital Management Measures on the basis of relevant laws, regulations and policies, which provides for detailed regulations on the principles, conditions and implementation of trading, capital management and position management of the foreign exchange derivatives trading, as well as the corresponding approval process and authority;

(2) The Company strengthens the management of bank accounts and funds, strictly complies with the approval procedures for the allocation and use of funds, arranges full-time personnel, clarifies the responsibilities, and strictly engages in the above business within the scope of authorization, properly arranges funds for completion to ensure delivery on schedule; in case a special circumstance requires early completion through swap transactions, extension or adoption of other methods acceptable to counterparties, etc., relevant procedures should be completed in accordance with the regulations of foreign exchange derivatives transactions;

(3) Regarding the risk of mismatch between the amount of future sell-back and the Company's hedge amount, as some of the bonds may be held until maturity, the Company can take measures such as closing out the positions or extension of the term to control the risk in the future after communication and consultation with professional financial institutions.

Changes in market price or product fair value of derivatives invested during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value	❖ Futures hedging: Deformed bar, hot-rolled coil and nickel quoted on the Shanghai Futures Exchange; iron ore, coking coal and coke quoted on the Dalian Commodity Exchange; on 4 January 2021, the settlement prices of main connected contracts of deformed bar, hot-rolled coil, nickel, iron ore, coking coal and coke were RMB4,346/ton, RMB4,472/ton, RMB126,820/ton, RMB999/ton, RMB1,668/ton and RMB2,887.5/ton, respectively; on 31 March 2021, the settlement prices of main connected contracts of deformed bar, hot-rolled coil, nickel, iron ore, coking coal and coke were RMB4,956/ton, RMB5,384/ton, RMB121,080/ton, RMB1,091.5/ton, RMB1,657.5/ton and RMB2,285.0/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, nickel, iron ore, coking coal and coke were +RMB610/ton, +RMB912/ton, -RMB5,740/ton, +RMB92.5/ton, -RMB10.5/ton and -RMB602.5/ton, respectively. ❖ Foreign exchange hedging: At the time of signing the contract, an exchange rate of 0.866 HKD/RMB was adopted as the settlement price on 18 May 2021. The central parity of HKD/RMB on 31 March 2021 was 0.84518. The Company paid interest to the bank on the principal amount of HK$1 billion (converted to RMB866 million at the settlement price of 0.866 at maturity) at an annualized interest rate of 3.58% based on the actual number of subsisting days of the contracts.
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	❖ Futures hedging: (1) The Company utilized the self-owned funds for the development of futures hedging business on the basis of ensuring its normal production and operation, and performed the related approval procedures in compliance with relevant requirements of the relevant laws, regulations and the Articles and Association, which was beneficial to the reduction of operating risks of the Company, without prejudice to the Company and shareholders as a whole. (2) The Company established Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and explicitly confirmed internal control procedures such as the business operation procedures, approval process and risks prevention and control, achieving a protection for the Company to control future risks. (3) The Company confirmed that the maximum amount and the types for trading of the annual hedging guarantees were reasonable and in compliance with the actual situation of production and operation of the Company, and thus it is in favour of the Company to reasonably control the trading risks. ❖ Foreign exchange hedging: (1) In order to prevent foreign exchange risks, the Company has carried out foreign exchange hedging business and fulfilled the relevant approval procedures, which are in compliance with the relevant national laws, regulations and the relevant provisions of the Articles of Association, and are conducive to reducing of operating risks of the Company, without prejudice to the interests of the Company and its shareholders.

(2) The Company has formulated the Measures for the Management of Foreign Exchange Funds of Angang Steel Company Limited* (《鞍鋼股份有限公司外匯資金管理辦法》), which provides clear regulations on the principles of foreign exchange derivatives trading, trading process, internal control and risk prevention measures, and plays a protective role in controlling the risk of foreign exchange derivatives trading by the Company.

(3) The types and quantities of foreign exchange hedging trading determined by the Company are in line with the business requirements of the Company and are conducive to reasonably controlling risks by the Company.

V. Progress of projects financed by proceeds

☐ Applicable ☑ Not applicable

VI. Estimate of the operating results for January–June 2021

Warning of projection on cumulative net profit for the period from the beginning of the year to the end of the next reporting period to be at a loss or expected to have material changes as compared to the corresponding period of prior year and its explanation

☐ Applicable ☑ Not applicable

VII. Major contracts during daily operations

☐ Applicable ☑ Not applicable

VIII. Entrusted wealth management

☐ Applicable ☑ Not applicable

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

IX. Information on illegal external guarantees

☐ Applicable ☑ Not applicable

During the Reporting Period, the Company had no illegal external guarantee.

X. Information on the non-operating use of funds of the listed company by the controlling shareholder and its related parties

☐ Applicable ☑ Not applicable

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

XI. Record sheet for reception of activities such as survey, communication and interview during the Reporting Period

☑ Applicable ☐ Not applicable

Date of reception	Site of reception	Way of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
25 January 2021	The Company	Telephone communication	Institutions	Sumitomo Mitsui DS Asset Management- Hashidzume Kenji (橋爪謙治), Ogata Yū suke (尾形優介) Sumitomo Mitsui Banking Corporation-Yang Yunqin (楊韻欽) Dahl Capital Management (達爾資本管理)-Pui Yee Lee	Company production and operation and industry operation conditions	Irm.cninfo.com.cn under Shenzhen Stock Exchange/Investor Relations Activity Record Form on 25 January 2021

4. FINANCIAL STATEMENTS

I. Financial statements

Consolidated Balance Sheet
As at 31 March 2021

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

Items	31 March 2021	31 December 2020
Current assets:		
Cash and cash equivalents	**3,745**	5,329
Derivative financial assets	**4**	
Notes receivable	**158**	63
Accounts receivable	**2,711**	2,593
Receivables financing	**1,399**	1,009
Prepayments	**3,230**	3,117
Other receivables	**75**	56
Including: interests receivable		
Dividends receivable		
Inventories	**13,470**	10,618
Other current assets	**348**	231
Total current assets	**25,140**	23,016
Non-current assets:		
Long-term equity investments	**3,033**	2,965
Other investments in equity instruments	**476**	476
Other non-current financial assets	**29**	34
Fixed assets	**49,582**	50,372
Construction in progress	**1,975**	1,814
Right-of-use assets	**788**	822
Intangible assets	**5,942**	5,988
Deferred income tax assets	**1,224**	1,369
Other non-current assets	**1,165**	1,190
Total non-current assets	**64,214**	65,030
Total assets	**89,354**	88,046

Items	**31 March 2021**	31 December 2020
Current liabilities:		
Short-term loans	**4,125**	8,505
Derivative financial liabilities	**45**	43
Notes payable	**3,884**	2,620
Accounts payable	**8,617**	7,939
Contract liabilities	**6,381**	5,611
Employee benefits payable	**237**	228
Tax payable	**352**	387
Other payables	**2,175**	1,960
Including: interests payable	**31**	15
Dividends payable		
Non-current liabilities due within 1 year	**909**	409
Total current liabilities	**26,725**	27,702
Non-current liabilities:		
Long-term loans	**4,254**	3,478
Bonds payable	**1,497**	1,476
Lease liability	**587**	665
Long-term employee benefits payable	**125**	125
Deferred income	**585**	595
Deferred income tax liabilities	**112**	112
Other non-current liabilities	**40**	35
Total non-current liabilities	**7,200**	6,486
Total liabilities	**33,925**	34,188

Items	31 March 2021	31 December 2020
Shareholders' equity:		
Share capital	**9,405**	9,405
Capital reserve	**33,423**	33,485
Less: Treasury shares	**104**	166
Other comprehensive income	**(81)**	(80)
Special reserve	**119**	74
Surplus reserve	**3,849**	3,849
Undistributed profit	**8,315**	6,798
Subtotal of Shareholders' equity attributable to shareholders of parent company	**54,926**	53,365
Minority interests	**503**	493
Total shareholders' equity	**55,429**	53,858
Total liabilities and shareholders' equity	**89,354**	88,046

Legal representative:	*Chief Accountant:*	*Person-in-charge of accounting department:*
Wang Yidong	**Wang Baojun**	**You Yu**

Consolidated Income Statement
For the three months Ended 31 March 2021

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

Items	January-March 2021	January-March 2020
Operating income	**31,878**	20,337
Including: operating income	**31,878**	20,337
Operating costs	**29,914**	19,919
Less: operating costs	**28,145**	18,362
Tax and surcharges	**247**	258
Marketing expenses	**857**	705
Administrative expenses	**320**	277
Research and development expenses	**137**	77
Financial expenses	**208**	240
Including: interests expenses	**204**	207
Interests revenue	**13**	10
Add: Other income	**13**	12
Investment income ("-" for losses)	**75**	40
Including: income from investment in jointly ventures and associates	**75**	30
Gains/losses from fair value variation ("-" for losses)	**(28)**	10
Impairment losses on assets ("-" for losses)	**22**	(121)
Credit impairment loss ("-" for losses)		
Asset disposal income ("-" for losses)	**1**	
Operating profit ("-" for losses)	**2,047**	359
Add: Non-operating income	**3**	2
Less: Non-operating expenses	**21**	16

Items	**January-March 2021**	January-March 2020
Profit before income tax ("-" for losses)	**2,029**	345
Less: Income tax expenses	**500**	54
Net profit for the period ("-" for losses)	**1,529**	291
Classification according to the continuity of operation		
i. Continuous operating net profit ("-" for losses)	**1,529**	291
ii. Termination of net profit ("-" for losses)		
Classification according to ownership		
i. The net profit belongs to the owners of the company	**1,520**	292
ii. Minority interest income	**9**	(1)
The net amount after tax of other comprehensive income	**(1)**	
Net after-tax net of other comprehensive income attributable to the parent company owner	**(1)**	
I. The other comprehensive income which can not be reclassified into profit or loss		
i. Changes in fair value of other investments in equity instruments investment		
II. The other comprehensive income which can be classified into profit or loss	**(1)**	
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method	**(1)**	
Net after-tax net of other comprehensive income attributable to minority shareholders		

Items	**January-March 2021**	January-March 2020
Total comprehensive income	**1,528**	291
The comprehensive income attributed to the owners of the company	**1,519**	292
The comprehensive income attributed to the minority	**9**	(1)
Earning per share:		
Basic earning per share *(RMB/share)*	**0.162**	0.031
Diluted earning per share *(RMB/share)*	**0.160**	0.031

Legal representative:	*Chief Accountant:*	*Person-in-charge of accounting department:*
Wang Yidong	**Wang Baojun**	**You Yu**

Consolidated Statement of Cash Flows

For the three months Ended 31 March 2021

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

Items	**January-March 2021**	January-March 2020
Cash flows from operating activities:		
Cash received from selling of goods or rendering of services	**32,361**	18,233
Refund of taxes and fares	**3**	
Other cash received from operating activities	**20**	11
Sub-total of cash inflows	**32,384**	18,244
Cash paid for goods and services	**27,332**	18,594
Cash paid to and for the employees	**1,189**	1,031
Cash paid for all types of taxes	**1,040**	669
Other cash paid for operating activities	**915**	1,014
Sub-total of cash outflows	**30,476**	21,308
Net cash flow from operating activities	**1,908**	(3,064)
Cash flows from investing activities:		
Cash received from return of investments		
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other non-current assets	**1**	4
Other cash received from investment activities	**76**	21
Sub-total of cash inflows	**77**	25
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets	**331**	817
Cash paid for acquisition of investments		
Other cash paid for investment activities	**89**	
Sub-total of cash outflows	**420**	817
Net cash flow from investing activities	**(343)**	(792)

Items	**January-March 2021**	January-March 2020
Cash flows from financing activities:		
Cash received from absorbing investments		5
Including: received of subsidiary from minority shareholders		5
Cash received from borrowings	**2,105**	7,635
Cash received from the issuance of bonds		
Other cash received from financing activities	**86**	
Sub-total of cash inflows	**2,191**	7,640
Cash paid for settling of debts	**5,209**	5,426
Cash paid for distribution of dividends or profit and repayment of interests	**109**	190
Including: dividends or profit paid to minority shareholders		
Other cash paid for financing activities	**22**	22
Sub-total of cash outflows	**5,340**	5,638
Net cash flow from financing activities	**(3,149)**	2,002
Effect of changes in foreign exchange rate on cash and cash equivalents		
Net increase in cash and cash equivalents	**(1,584)**	(1,854)
Add: Cash and cash equivalents at beginning of this period	**5,329**	4,671
Cash and cash equivalents at the end of this period	**3,745**	2,817

Legal representative:	*Chief Accountant:*	*Person-in-charge of accounting department:*
Wang Yidong	**Wang Baojun**	**You Yu**

Balance Sheet
As at 31 March 2021

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

Items	**31 March 2021**	31 December 2020
Current assets:		
Cash and cash equivalents	**1,475**	1,586
Derivative financial assets	**4**	
Notes receivable	**14**	46
Accounts receivable	**3,017**	2,567
Receivables financing	**1,129**	716
Prepayments	**2,953**	2,927
Other receivables	**122**	102
Including: interests receivable		
Dividends receivable		
Inventories	**10,951**	8,263
Other current assets	**400**	304
Total current assets	**20,065**	16,511
Non-current assets:		
Long-term equity investments	**12,679**	12,612
Other investments in equity instruments	**476**	476
Other non-current financial assets	**29**	34
Fixed assets	**42,553**	43,292
Construction in progress	**1,717**	1,529
Right-of-use assets	**776**	808
Intangible assets	**5,517**	5,561
Deferred income tax assets	**1,051**	1,277
Other non-current assets	**1,126**	1,124
Total non-current assets	**65,924**	66,713
Total assets	**85,989**	83,224

Items	31 March 2021	31 December 2020
Current liabilities:		
Short-term loans	**4,120**	8,505
Derivative financial liabilities	**45**	43
Notes payable	**3,782**	2,519
Accounts payable	**7,723**	7,240
Contract liabilities	**5,616**	4,995
Employee benefits payable	**160**	176
Tax payable	**141**	180
Other payables	**2,952**	1,732
Including: interests payable	**30**	12
Dividends payable		
Non-current liabilities due within 1 year	**800**	300
Total current liabilities	**25,339**	25,690
Non-current liabilities:		
Long-term loans	**4,200**	3,350
Bonds payable	**1,497**	1,476
Lease liability	**576**	652
Long-term employee benefits payable	**122**	122
Deferred income	**454**	463
Deferred income tax liabilities	**112**	112
Other non-current liabilities	**40**	35
Total non-current liabilities	**7,001**	6,210
Total liabilities	**32,340**	31,900

Items	**31 March 2021**	31 December 2020
Shareholders' equity:		
Share capital	**9,405**	9,405
Capital reserve	**26,465**	26,527
Less: Treasury shares	**104**	166
Other comprehensive income	**(81)**	(80)
Special reserve	**54**	25
Surplus reserve	**3,839**	3,839
Undistributed profit	**14,071**	11,774
Subtotal of Shareholders' equity attributable to shareholders of parent company	**53,649**	51,324
Minority interests		
Total shareholders' equity	**53,649**	51,324
Total liabilities and shareholders' equity	**85,989**	83,224

Legal representative:	*Chief Accountant:*	*Person-in-charge of accounting department:*
Wang Yidong	**Wang Baojun**	**You Yu**

Income Statement
For the three months Ended 31 March 2021

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

Items	**January-March 2021**	January-March 2020
Operating income	**28,684**	20,944
Including: operating income	**28,684**	20,944
Operating costs	**27,085**	20,640
Less: operating costs	**25,568**	19,280
Tax and surcharges	**202**	227
Marketing expenses	**714**	579
Administrative expenses	**275**	237
Research and development expenses	**127**	75
Financial expenses	**199**	242
Including: interests expenses	**190**	207
Interests revenue	**7**	7
Add: Other income	**12**	11
Investment income ("-" for losses)	**1,129**	40
Including: income from investment in jointly ventures and associates	**74**	29
Gains/losses from fair value variation ("-" for losses)	**(28)**	10
Impairment losses on assets ("-" for losses)	**21**	(121)
Credit impairment loss ("-" for losses)		
Asset disposal income ("-" for losses)	**1**	
Operating profit ("-" for losses)	**2,734**	244
Add: non-operating income	**1**	1
Less: non-operating expenses	**21**	16

Items	**January-March 2021**	January-March 2020
Profit before income tax ("-" for losses)	**2,714**	229
Less: income tax expenses	**417**	59
Net profit for the period ("-" for losses)	**2,297**	170
Classification according to the continuity of operation		
i. Continuous operating net profit ("-" for losses)	**2,297**	170
ii. Termination of net profit ("-" for losses)		
Classification according to ownership		
i. The net profit belongs to the owners of the company	**2,297**	170
ii. Minority interest income		
The net amount after tax of other comprehensive income	**(1)**	
Net after-tax net of other comprehensive income attributable to the parent company owner	**(1)**	
I. The other comprehensive income which can not be reclassified into profit or loss		
i. Changes in fair value of other investments in equity instruments investment		
II. The other comprehensive income which can be classified into profit or loss	**(1)**	
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method	**(1)**	
Net after-tax net of other comprehensive income attributable to minority shareholders		
Total comprehensive income	**2,296**	170
The comprehensive income attributed to the owners of the company	**2,296**	170
The comprehensive income attributed to the minority		

Legal representative:	*Chief Accountant:*	*Person-in-charge of accounting department:*
Wang Yidong	**Wang Baojun**	**You Yu**

Statement of Cash Flows
For the three months Ended 31 March 2021

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

Items	January-March 2021	January-March 2020
Cash flows from operating activities:		
Cash received from selling of goods or rendering of services	**28,816**	17,212
Refund of taxes and fares		
Other cash received from operating activities	**14**	8
Sub-total of cash inflows	**28,830**	17,220
Cash paid for goods and services	**24,714**	17,533
Cash paid to and for the employees	**1,021**	894
Cash paid for all types of taxes	**694**	534
Other cash paid for operating activities	**1,164**	1,006
Sub-total of cash outflows	**27,593**	19,967
Net cash flow from operating activities	**1,237**	(2,747)
Cash flows from investing activities:		
Cash received from return of investments		
Cash received from investment income	**1,054**	
Net cash received from disposal of fixed assets, intangible assets and other non-current assets	**1**	34
Net cash received from disposal of subsidiaries and other business units		
Other cash received from investment activities	**71**	18
Sub-total of cash inflows	**1,126**	52
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets	**310**	739
Cash paid for acquisition of investments		55
Other cash paid for investment activities	**89**	
Sub-total of cash outflows	**399**	794
Net cash flow from investing activities	**727**	(742)

Items	January-March 2021	January-March 2020
Cash flows from financing activities:		
Cash received from borrowings	**2,100**	7,685
Cash received from the issuance of bonds		
Other cash received from financing activities	**1,086**	
Sub-total of cash inflows	**3,186**	7,685
Cash paid for settling of debts	**5,135**	5,475
Cash paid for distribution of dividends or profit and repayment of interests	**105**	190
Including: dividends or profit paid to minority shareholders		
Other cash paid for financing activities	**21**	21
Sub-total of cash outflows	**5,261**	5,686
Net cash inflow from financing activities	**(2,075)**	1,999
Effect of changes in foreign exchange rate on cash and cash equivalents		
Net increase in cash and cash equivalents	**(111)**	(1,490)
Add: Cash and cash equivalents at beginning of this period	**1,586**	3,237
Cash and cash equivalents at the end of this period	**1,475**	1,747

Legal representative:	*Chief Accountant:*	*Person-in-charge of accounting department:*
Wang Yidong	**Wang Baojun**	**You Yu**

II. Explanation on adjustment to the Financial Statements

1. The related conditions on the adjustment of the financial statements at the beginning of the year of initial implementation arising from initial implementation of new lease standard since 2021

☐ Applicable ☑ Not applicable

2. Explanation on retrospective adjustment to the previous comparative data by initial adoption of new lease standard since 2021

☐ Applicable ☑ Not applicable

III. Audit Report

Whether this first quarterly report has been audited or not

☐ Yes ☑ No

This first quarterly report of the Company is unaudited.

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

Anshan City, Liaoning Province, the PRC
29 April 2021

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

Executive Directors	*Independent Non-executive Directors*
Wang Yidong	Feng Changli
Li Zhen	Wang Jianhua
Li Zhongwu	Wang Wanglin
	Zhu Keshi

* *For identification purposes only*