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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)

2021 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB72,551 million
- Total profit amounted to RMB6,669 million
- Net profit attributable to shareholders of the Company amounted to RMB5,183 million
- Basic earnings per share amounted to RMB0.551 (January to June 2020: basic earnings per share of RMB0.053)
- 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 2021 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)
"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)
"Chaoyang Iron and Steel"	Angang Group Chaoyang Iron and Steel Co., Ltd.* (鞍鋼集團朝陽鋼鐵有限公司)
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP

Unit: RMB million

	During the reporting period (from January to June)	Corresponding period of the previous year	Increase/ decrease for the reporting period as compared with the corresponding period of the previous year *(%)*
Operating income	72,551	44,650	62.49
Net profit attributable to the shareholders of the Company	5,183	500	936.60
Net profit attributable to the shareholders of the Company after deduction of non-recurring gains or losses items	5,260	472	1,014.41
Basic earnings per share *(RMB/share)*	0.551	0.053	939.62
Diluted earnings per share *(RMB/share)*	0.546	0.053	930.19
Returns on net assets on weighted average basis *(%)*	9.26	0.96	Increased by 8.30 percentage points
Net cash flow from operating activities	8,639	4,779	80.77

	As at the end of the reporting period	As at the end of the previous year	Increase/ decrease at the end of the reporting period as compared with the end of the previous year *(%)*
Total assets	91,301	88,046	3.70
Net assets attributable to the shareholders of the Company	57,820	53,365	8.35

Total share capital of the Company as of the trading day preceding the disclosure date (being 26 August 2021):

Total share capital of the Company as of the trading day preceding the disclosure date *(share)*	9,405,250,201
Fully-diluted earnings per share based on the latest share capital *(RMB/share)*	0.551

NON-RECURRING GAINS OR LOSSES ITEMS:

Unit: RMB million

Item	**Amount**	**Explanation**
Gains/losses from disposal of non-current assets	-27	–
Government subsidies (except for government subsidies which are closely related to the Company's operations and received in fixed amount or quantity in conformity with the standards of the State) recorded into gains or losses for the period	24	–
Changes in fair value of financial assets held for trading	-6	–
Changes in fair value of other non-current liabilities (part of derivative financial instruments)	-97	–
Other non-operating income and expenses apart from those stated above	3	–
Less: Effect of income tax	-26	–
Total	-77	–

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

☐ Applicable ☑ Not applicable

II. REPORT OF THE BOARD OF DIRECTORS

(I) Overview

1. Key indicators:

Operating income:

RMB72,551 million

62.49%

The corresponding period of the previous year:RMB44,650 million

Net profit attributable to shareholders of the Company:

RMB5,183 million

936.6%

The corresponding period of the previous year: RMB500 million

Sales of steel:

13,520,000 tons

17.36%

The corresponding period of the previous year: 11,520,000 tons

Asset-liability ratio:

36.11%

2.72%

At the end of the previous year: 38.83%

Net cash flow from operating activities:

RMB8,639 million

80.77%

The corresponding period of the previous year: RMB4,779 million

Financial expenses:

RMB316 million

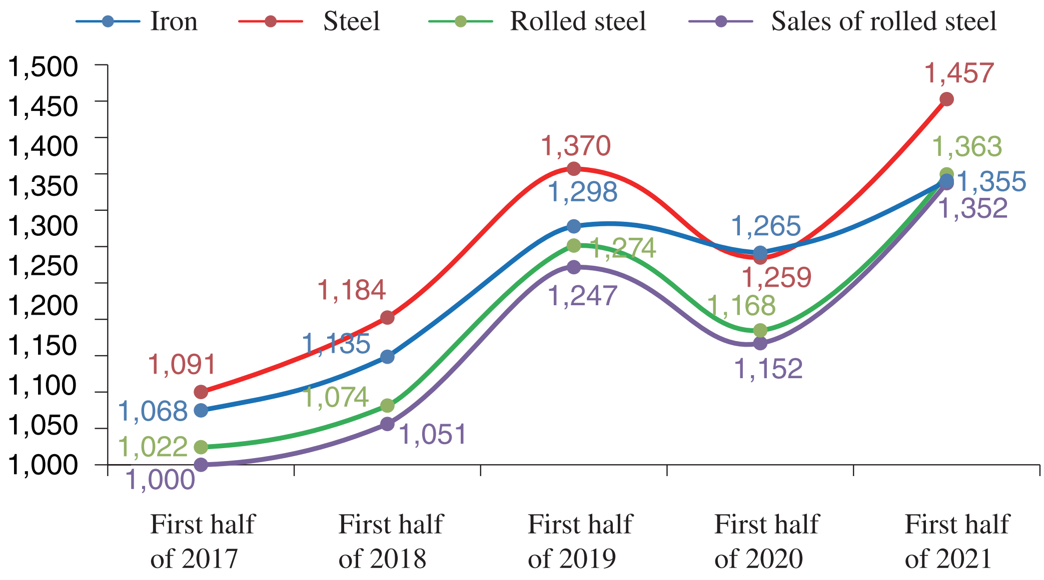
37.05%

The corresponding period of the previous year: RMB502 million

2. Key performance:

The operating performance hit a record high. In the first half of the year, the Group achieved operating income of RMB72,551 million, representing an increase of 62.49% over the corresponding period of the previous year. The total profit reached RMB6,669 million, representing an increase of 979.13% over the corresponding period of the previous year. The net profit attributable to shareholders of the Company was RMB5,183 million, representing an increase of 936.60% over the corresponding period of the previous year. The basic earnings per share were RMB0.551 per share, representing an increase of 939.62% over the corresponding period of the previous year. The sales profit margin was 9.19%, representing a year-on-year increase of 7.81 percentage points, all reaching a record high.

Production efficiency was fully achieved. In the first half of the year, the Group fully utilised the overall scale and management and control advantages of the three production bases in Anshan, Yingkou and Chaoyang, actively and initiatively responded to market changes and fully achieved its total factor productivity. The output of iron, steel and rolled steel was 13,550,000 tons, 14,570,000 tons and 13,630,000 tons, respectively, representing a year-on-year increase of 7.11%, 15.73% and 16.7%, respectively, reaching a record level. The Group sold 13,520,000 tons of rolled steel, representing an increase of 17.36% as compared with the corresponding period of the previous year, achieving a sales-output ratio of 99.19% for rolled steel.



The marketing ability has been significantly enhanced. Due to the implementation of the marketing planning featuring "focusing on both domestic and international markets" (北斗望月，面向大海) and the adoption of "three points and four dimensions" (三點四維度) appraisal system, the control capability, competitiveness and market influence have been significantly improved. By vigorously expanding the market, Angang won the Award for Product Development and Market Development of China Iron and Steel Industry in 2020 for its high purity industrial pure iron products. As for steel products for shipbuilding, the Company supplied goods for the orders for the world's largest double fuel 23,000 TEU containership from Hudong and Jiangnan; 95mm crack-resistant steel for ships was delivered as the first in China; the Company won the bidding for medium-thick plates from Sino-Russia East Gas Pipeline Project and became the largest supplier of pipeline steel for Sino-Russia East Gas Pipeline Project; the high strength and low welding crack sensitivity steel plate for 800 MPa large-scale hydropower project has been successfully applied to the water diversion system of Baihetan Hydropower Station. The Company implemented the "going global" strategy, grasped the international market opportunities, and consolidated communication and cooperation with key overseas customers.

Numerous achievements in technological innovation were made. The "14th Five-Year" science and technology development plan (outline) of the Company was prepared, and special research and development projects on 11 major products including steel for ships and ocean engineering and 9 major technologies including ironmaking were determined, and 79 supporting projects around 10 product areas such as automotive steel were formed. Focusing on demand upgrading, low cost and high quality, the Company strengthened innovation in basic, cutting-edge and leading technologies, and made breakthrough in the research of key and core technologies for four projects. Four innovative achievements, including high-strength pipeline steel, were selected in the Recommendation Catalogue of Scientific and Technological Innovation Achievements of Central Enterprises. Remarkable results were made in product development, and the casting of high-aluminum steel was made successfully in terms of steelmaking; and aluminum-zinc-magnesium commercial materials and aluminum-zinc-magnesium color-coated products were developed successfully.

Digitalization construction was actively advanced. Focusing on the two directions of "intelligent operation" and "intelligent factories", the Company accelerated the digitalization transformation and upgrading. In the first half of the year, the construction of 64 digitalization projects commenced, 26 projects including the steelmaking centralized control center were put into operation, 11 intelligent production lines including the Steelmaking Plant, Third Branch were under construction in an orderly manner, and Bayuquan Smart Transparent Factory achieved initial results. The construction of the "management and informationization improvement project" was boosted. It is expected that the three places of "Anshan, Yingkou and Chaoyang" will successively realize operation before March next year.

"Dual-carbon" strategy was put into implementation steadily. Adhering to green, circular and low-carbon development, the Company is establishing itself as an ecological steel plant. It actively planned for and practiced "peak carbon emissions" and "carbon neutrality", and has formulated the Company's Work Plan for Peak Carbon Emissions and Carbon Neutrality. The Company approved the implementation of 25 environmental protection projects in the first half of the year, with the planned investment amounting to RMB890 million; and approved the implementation of 16 energy conservation and cost reduction projects, with the planned investment amounting to RMB240 million. By implementing the efficiency improvement program of power generation system, the power generation load of coke dry quenching waste heat power generation unit was significantly increased, controlling the consumption of power coal to the maximum extent, and the power generation of secondary energy was further increased. In the first half of the year, the cost of purchased energy, the comprehensive energy consumption per ton of steel and the power generation per ton of coke all hit the best level in history.

(II) Analysis of Principal Businesses

1. Year-on-year changes in principal financial data

Unit: RMB million

Item	**The reporting period**	Corresponding period of the previous year	**Year-on-year increase/ decrease** *(%)*	**Reasons for the changes**
Operating income	**72,551**	44,650	62.49	Impact of the increase in product prices and growth in sales volume.
Operating costs	**63,827**	42,038	51.83	Impact of the increase in raw fuel prices and growth in sales volume.
Marketing expenses	**327**	237	37.97	Main reasons are: firstly, the salary of sales staff increased by RMB55 million; secondly, the sales service fee and warehouse storage fee increased by RMB21 million.
Administrative expenses	**754**	592	27.36	–
Research and development expenses	**291**	155	87.74	Main reasons are: firstly, the consumption of raw materials for trial production of new products increased by RMB86 million; secondly, the labor cost increased by RMB26 million; thirdly, the entrusted research and development cost increased by RMB18 million.

Item	The reporting period	Corresponding period of the previous year	Year-on-year increase/ decrease (%)	Reasons for the changes
Financial expenses	**316**	502	-37.05	Main reasons are: firstly, the average financing scale decreased by RMB8.945 billion year on year, resulting in the year-on-year decrease of interest expenditure by RMB138 million; secondly, the exchange income increased by RMB44 million year on year.
Income tax expenses	**1,469**	115	1,177.39	The main reasons are: firstly, the profits of the Company increased significantly, and the current income tax expenses increased by RMB793 million year on year; secondly, the deferred income tax assets were reduced to cover losses and the income tax expenses increased by RMB561 million year on year.
Net cash flow from operating activities	**8,639**	4,779	80.77	Net cash inflow from operating activities increased by RMB3,860 million year on year, mainly because (i) the cash received from sales of goods and rendering of services increased by RMB29,571 million year on year; (ii) the cash paid for goods purchased and services received increased by RMB23,799 million year on year.
Net cash flow from investing activities	**-1,173**	-1,280	8.36	–

Item	The reporting period	Corresponding period of the previous year	Year-on-year increase/ decrease (%)	Reasons for the changes
Net cash flow from financing activities	**-5,604**	-417	-1,243.88	Net cash outflow from financing activities increased by RMB5,187 million year on year, mainly because (i) the cash received from borrowings obtained decreased by RMB7,680 million; (ii) the cash payment for repayment of debts decreased by RMB2,470 million year on year.
Net increase in cash and cash equivalents	**1,862**	3,082	-39.58	Net increase in cash and cash equivalents decreased by RMB1,220 million year on year, mainly because (i) the net cash inflow from operating activities increased by RMB3,860 million year on year; (ii) the net cash outflow from investing activities decreased by RMB107 million year on year; (iii) the net cash outflow from financing activities increased by RMB5,187 million year on 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	72,269	63,682	11.88	62.47	52.05	6.04
By product						
Hot-rolled sheets products	22,297	18,445	17.28	68.83	54.56	7.64
Cold-rolled sheets products	24,334	20,876	14.21	68.11	49.51	10.67
Medium-thick plates	12,824	11,711	8.68	70.90	67.83	1.67
By geographical location						
China	68,289	59,987	12.16	59.35	48.86	6.19
Export sales	3,980	3,695	7.16	144.62	133.12	4.58

Note:

The operating income of full range of products increased as compared with the corresponding period of the previous year, primarily due to the increase in sales volume and product prices. The operating costs of full range of products increased as compared with the corresponding period of the previous year, primarily due to the (i) the increase in sales volume; and (ii) the increase in product cost resulting from the rise of prices of raw materials and fuels.

4. Liquidity and financial resources

As at 30 June 2021, the Group had long-term loans (exclusive of loans due within one year) of RMB4,650 million with interest rates ranging from 2.82% to 4.9% per annum and terms ranging from 3 to 7 years. These loans, which will fall 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 RMB910 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 2021. The Group is able to repay its debts as they fall due.

As at 30 June 2021, the Group had a total capital commitment of RMB3,824 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 RMB3,810 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 Group International Economic and Trade Co., Ltd. for its main foreign currency transactions, including the export of sales products, import of raw materials for production and engineering equipment. Foreign currency risk is mainly reflected in the impact of exchange rate changes when settling through agent on sales and procurement costs.

The Group has issued H-share convertible bonds in an aggregate amount of HK$1.85 billion, with the current remaining balance amounting to HK$1.818 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	206	3.09	Mainly included income from long-term equity investments accounted for using equity method and investment income from other equity instrument investments during the holding period.	Yes
Gains or losses arising from changes in fair value	-104	-1.56	Included changes in fair value of derivative financial instruments and embedded derivative financial instruments.	Yes
Asset impairment losses	178	2.67	Mainly included reversal of provisions for impairment on inventories.	No
Credit impairment loss	-74	-1.11	Mainly included credit impairment losses on notes.	No
Other gains	21	0.31	Mainly included gains on government grants.	No
Non-operating income	8	0.12	Mainly included gains on destruction or scrap of non-current assets.	Yes
Non-operating expenses	30	0.45	Mainly included losses on destruction or scrap of non-current assets.	Yes

(IV) Assets and Liabilities

1. Significant changes in composition of assets

Unit: RMB million

	30 June 2021		31 December 2020			
	Amount	**As a percentage of total assets** *(%)*	Amount	As a percentage of total assets *(%)*	**Increase/ decrease (percentage point)**	**Explanation for significant changes**
Monetary capital	**7,191**	**7.88**	5,329	6.05	1.83	–
Notes receivable	**21**	**0.02**	63	0.07	-0.05	–
Accounts receivables	**2,619**	**2.87**	2,593	2.95	-0.08	–
Inventories	**12,196**	**13.36**	10,618	12.06	1.30	–
Long-term equity investments	**3,068**	**3.36**	2,965	3.37	-0.01	–
Fixed assets	**49,008**	**53.68**	50,372	57.21	-3.53	–
Construction in progress	**2,620**	**2.87**	1,814	2.06	0.81	–
Right-of-use assets	**756**	**0.83**	822	0.93	-0.10	–
Short-term loans	**2,205**	**2.42**	8,505	9.66	-7.24	–
Contract liabilities	**6,768**	**7.41**	5,611	6.37	1.04	–
Long-term loans	**4,650**	**5.09**	3,478	3.95	1.14	–
Lease liabilities	**508**	**0.56**	665	0.76	-0.20	–

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 included 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)	34	-6					**28**
2. Derivative financial assets	0	10					**10**
3. Other debt investment							
4. Other equity instrument investments	476		-91				**498**
Sub-total of financial assets	510	4	-91				**536**
Investment properties							
Productive biological assets							
Others							
Total	510	4	-91				**536**
Derivative financial liabilities	43	-5					**38**

Material changes in measurement of major assets during the reporting period

☐ Yes ☑ No

3. Gearing ratio

As at 30 June 2021 and 31 December 2020, the Group's equity-to-debt ratio was 1.77 times and 1.58 times, respectively.

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

The Group pledged notes receivable with a carrying amount of RMB170 million to banks in the period to secure notes payable of RMB163 million. The term of the pledge is from January 2021 to September 2021.

5. Contingent liabilities

As at 30 June 2021, the Group had no contingent liabilities.

(V) Work Plan for the Second Half of 2021

In the second half of the year, the globally-raging pandemic continues to develop, and the external environment becomes more complicated and severe. The National Bureau of Statistics indicates that the Chinese economy will continue to remain stable, consolidate and improve in the second half of the year. However, at the same time, due to the influence of requirements under the national "dual carbon" targets and supply-side reform, steel supply is tight, and the downstream industry demand tends to weaken, which will increase the pressure on steel enterprises, and the profitability of the iron and steel industry is still uncertain.

Faced with the complex and changing situation, the Company will take the strategic objectives and strategic planning as its action guide, focus on the main line of "intensification, reduction, intelligence @customers", clarify the positioning of each base, production line, product and industry, center in benefits, optimize resource allocation, and benchmark against first-class, make up for weaknesses, improve weak links and promote improvement in combination with the requirements under "two systems and one contract" and KPI indicators, so as to promote the implementation of all work. The Company will primarily carry out the following work in the second half of the year:

1. Implement strategic planning and promote high-quality development.

2. Precisely serve customers and improve the market development capability.

3. Deepen cost reform and do benchmarking and tap potential to reduce costs.

4. Comprehensively promote reform and adopt multiple measures to activate vitality.

5. Strengthen scientific and technological research and innovate drivers to enhance impetus.

6. Adhere to the bottom line thinking and adopt lean management to avoid risk.

7. Practice co-construction and sharing and enhance cohesion and create benefits.

(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** *(%)*
4	119	-96.40

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 included 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	34	-6	–	–	–	-6	28	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	–	150	1,181	963	–	291	0.5%	10
Angang Steel	None	No	Exchange rate swap	–	29 October 2020	18 May 2023	–	–	–	–	–	–	-24
Total				1	–	–	–	–	–	–	–	–	-14

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 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	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.)	Futures hedging： (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 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. Foreign exchange hedging： The hedging process is to first enter into a swap contract with a bank and purchase foreign currency 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 exist 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 makes detailed provisions for 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. The Company 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, RMB999.0/ton, RMB1,668/ton and RMB2,887.5/ton, respectively; on 30 June 2021, the settlement prices of main connected contracts of deformed bar, hot-rolled coil, nickel, iron ore, coking coal and coke were RMB5,107/ton, RMB5,400/ton, RMB136,440/ton, RMB1,153.5/ton, RMB1,948.5/ton and RMB2,631.5/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, nickel, iron ore, coking coal and coke were +RMB761/ton, +RMB928/ton, +RMB9,620/ton, +RMB154.5/ton, +RMB280.5/ton and -RMB256.0/ton, respectively. Foreign exchange hedging: The Company extended the term of the contracts upon the expiry of the term of such contracts in this year, and an exchange rate of 0.866 HKD/RMB was adopted as the settlement price on 18 May 2023. The central parity of HKD/RMB on 30 June 2021 was 0.83208. 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 3.11% 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 of Association, which was beneficial to the reduction of operating risks of the Company, without prejudice to the interests of the Company and shareholders as a whole.

(2) The Company established the 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 futures 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 were conducive to reasonably controlling risks by the Company.

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.

(VII) Disposal of Major Assets and Equity Interests

1. Disposal of major assets

☐ Applicable ☑ Not applicable

2. Disposal of major 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	6,386	4,664	6,412	1,012	778

(IX) Structured Entities Controlled by the Company

☐ Applicable ☑ Not applicable

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

On 31 December 2020, the Resolution on the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited* (Draft) and Its Summary (《關於<鞍鋼股份有限公司2020年限制性股票激勵計劃(草案)>及其摘要的議案》) and other relevant resolutions were considered and approved at the 2020 third extraordinary general meeting of the Company. 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 of 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 granted 46,800,000 restricted shares to 174 incentive participants.

Save for the above, during the six months ended 30 June 2021, 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 Hong Kong Listing Rules during the reporting period.

(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 2021.

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) Use of the Capital of the Listed Company by the Controlling Shareholder and Its Connected Parties for Non-operating Purposes

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

(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 *(%)*	Approved transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	5,500	12.13	28,697	No	In cash	–
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	5,469	12.06			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	–	1,912	4.22			In cash	–
Angang Scrap Steel Resources (Anshan) Co., Ltd. (鞍鋼廢鋼資源(鞍山)有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,661	3.66			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 *(%)*	Approved transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Group International Economic and Trade Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	–	1,630	3.59			In cash	–
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle		568	1.26			In cash	–
Sub-total	–	–	Purchase main materials	–	–	16,741	36.92			–	–
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	–	318	100	450	No	In cash	–
Sub-total	–	–	Purchase steel products	–	–	318	100			–	–
Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	–	495	8.77	3,614	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 *(%)*	Approved transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Refractory Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	–	418	7.40			In cash	–
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	–	110	1.95			In cash	–
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	–	506	8.96			In cash	–
Sub-total	–	–	Purchase auxiliary materials	–	–	1,529	27.08			–	–
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	–	540	23.86	1,848	No	In cash	–
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	–	23	1.02			In cash	–
Sub-total	–	–	Procurement of energy and power	–	–	563	24.88			–	–

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 *(%)*	Approved transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Delin Lugang (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	495	9.31	6,168	No	In cash	–
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	476	8.95			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		353	6.64			In cash	–
Angang Construction Group Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	238	4.48			In cash	–
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	222	4.17			In cash	–
Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	213	4.01			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 *(%)*	Approved transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Metal Structure Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	152	2.86			In cash	–
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	–	1,032	19.40			In cash	–
Sub-total	–	–	Receive supporting services	–	–	3,181	59.82			–	–
Delin Land Port Supply Chain Service Co., Ltd.*(德鄰陸港供應鏈服務有限公司)	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	–	1,824	2.66	5,609	No	In cash	–
Angang Group International Economic and Trade Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle		755	1.10			In cash	–
Angang Green Resources Technology Co., Ltd	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	–	322	0.47			In cash	–
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	–	641	0.94			In cash	–
Sub-total	–	–	Sales of products	–	–	3,542	5.17			–	–

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 *(%)*	Approved transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sell scrap steel material, abandoned material, minus sieve powder	Market principle	–	135	98.54	437	No	In cash	–
Sub-total	–	–	Sell scrap steel material, abandoned material, minus sieve powder	–	–	135	98.54			–	–
Angang Holding	Controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	–	325	21.87	2,240	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 *(%)*	Approved transaction cap *(RMB million)*	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	–	193	12.99			In cash	–
Sub-total	–	–	Provide comprehensive services	–	–	518	34.86			In cash	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interests	Market principle	–	11	37.93	50	No	In cash	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	–	3,479	–	3,500	No	–	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	–	3	0.94	250	No	In cash	–
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	–	5	100	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 the Company's daily connected transactions did not exceed the relevant caps applicable to such category as set out in the relevant daily connected transaction agreements approved at the general meeting and the estimated amounts of each type of daily connected transactions expected 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, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.

2. *Related party transactions in relation to asset or equity acquisition or disposal*

There was no related party transaction in relation to asset or equity acquisition and disposal during the reporting period.

3. *Related party transactions in relation to joint external investments*

There was no related party transactions in relation to joint external investments during the reporting period.

4. *Related party credit and debt transaction*

There were no claims or obligations for non-operating purpose during the reporting period.

5. *Transaction with connected financial company which is under the control of the Company*

Unit: RMB million

Deposit business

Connected party	Connected relationship	Maximum daily deposit limit	Range of deposit interest rate	Balance as at the beginning of the period	Amount	Balance as at the end of the period
Angang Financial Company	Controlled by the same controlling shareholder	3,500	1.725%	3,422	–	3,452

Loan business

Connected party	Connected relationship	Loan facility	Range of loan interest rate	Balance as at the beginning of the period	Amount	Balance as at the end of the period
Angang Financial Company	Controlled by the same controlling shareholder	4,000	3.48%	0	500	0

Credit extension or other financial business

Connected party	Connected relationship	Type of business	Total amount	Actual amount
Angang Financial Company	Controlled by the same controlling shareholder	Credit extension	4,000	500

6. Other major connected transactions

On 12 April 2021, the Resolution on Increase of Capital Contribution into Angang Energy Technology Co., Ltd.* (鞍鋼能源科技有限公司)(《關於向鞍鋼能源科技有限公司增資的議案》) was approved at the forty-second meeting of the eighth session of the Board of the Company, pursuant to which, the Company and Angang Group Engineering Technology Development Co., Ltd. ("**Angang Engineering**"), the other shareholder of Angang Energy Technology Co., Ltd.* (鞍鋼能源科技有限公司), will contribute additional capital of RMB100 million into Angang Energy Technology Co., Ltd.* (鞍鋼能源科技有限公司) in cash in proportion to their existing shareholding in Energy Technology, among which, the Company contributed RMB60 million, and Angang Engineering contributed RMB40 million. As of now, the matter has not been implemented yet.

(IV) Material Contracts and their Implementation

1. Trust, contractual or lease arrangement

(1) Trust arrangement

The Company entered into the Entrusted Management Services of Asset and Business Agreement with Angang Holding as the specific agreement for execution under the approved Supply of Materials and Services Agreement (2019–2021). Pursuant to the Entrusted Management Services of Asset and Business Agreement, Angang Holding entrusts the Company to daily operate and manage the assets, businesses, additional future assets and businesses of the unlisted units under its control.

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

(2) Contractual arrangement

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

(3) Lease arrangement

The Company 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 RMB39 million paid in the first half of 2021.

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

2. Material guarantee

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

3. Entrusted wealth management

During the reporting period, the Company did not have entrusted wealth management.

4. Significant contracts relating to daily operations

During the reporting period, the Company had no significant contracts relating to daily operations.

5. Other significant contracts

During the reporting period, the Company had no other significant contracts.

(V) Corporate Governance of the Company

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the China Securities Regulatory Commission (the "CSRC"), the 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 on a regular basis, and complied properly with the Corporate Governance Code.

I. FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

As at 30 June 2021

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

Items	*Notes*	**30 June 2021**	31 December 2020
Current assets:			
Cash and cash equivalents		**7,191**	5,329
Derivative financial assets		**10**	
Notes receivable		**21**	63
Accounts receivable	2	**2,619**	2,593
Receivables financing		**1,078**	1,009
Prepayments		**3,517**	3,117
Other receivables		**128**	56
Including: Interest receivable			
Dividends receivable			
Inventories		**12,196**	10,618
Other current assets		**325**	231
Total current assets		**27,085**	23,016
Non-current assets:			
Long-term equity investments		**3,068**	2,965
Other investments in equity instruments		**498**	476
Other non-current financial assets		**28**	34
Fixed assets		**49,008**	50,372
Construction in progress		**2,620**	1,814
Right-of-use assets		**756**	822
Intangible assets		**5,901**	5,988
Deferred tax assets		**932**	1,369
Other non-current assets		**1,405**	1,190
Total non-current assets		**64,216**	65,030
Total assets		**91,301**	88,046

Legal representative: **Wang Yidong** *Chief accountant:* **Wang Baojun** *Person-in-charge of accounting department:* **Qin Lianyu**

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

Items	*Notes*	**30 June 2021**	31 December 2020
Current liabilities:			
Short-term borrowings		**2,205**	8,505
Derivative financial liabilities		**38**	43
Notes payable		**4,052**	2,620
Accounts payable	3	**7,975**	7,939
Contract liabilities		**6,768**	5,611
Employee benefits payable		**347**	228
Taxes payable		**574**	387
Other payables		**2,530**	1,960
Including: Interest payable		**7**	15
Dividends payable			
Non-current liabilities due within 1 year		**910**	409
Total current liabilities		**25,399**	27,702
Non-current liabilities:			
Long-term borrowings		**4,650**	3,478
Bonds payable		**1,460**	1,476
Lease liabilities		**508**	665
Long-term employee benefits payable		**125**	125
Deferred income		**578**	595
Deferred tax liabilities		**117**	112
Other non-current liabilities		**133**	35
Total non-current liabilities		**7,571**	6,486
Total liabilities		**32,970**	34,188

Items	*Notes*	**30 June 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		**(67)**	(80)
Special reserves		**123**	74
Surplus reserves		**3,849**	3,849
Retained earnings	4	**11,191**	6,798
Total shareholders' equity attributable to the parent company		**57,820**	53,365
Non-controlling interest		**511**	493
Total shareholders' equity		**58,331**	53,858
Total liabilities and shareholders' equity		**91,301**	88,046

Legal representative:	*Chief accountant:*	*Person-in-charge of accounting department:*
Wang Yidong	**Wang Baojun**	**Qin Lianyu**

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2021

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

Items	*Notes*	**Current period**	Prior period
I. Total operating revenue		**72,551**	44,650
Including: Operating revenue	5	**72,551**	44,650
II. Total operating costs		**66,088**	44,003
Including: Operating costs	5	**63,827**	42,038
Taxes and surcharges	6	**573**	479
Selling expenses		**327**	237
Administrative expenses		**754**	592
Research and development expenses		**291**	155
Financial expenses	8	**316**	502
Including: Interest expense		**337**	474
Interest income		**28**	25
Add: Other income		**21**	29
Investment income (Losses are marked with "-")		**206**	88
Including: Investment income from associates and joint ventures		**205**	85
Income from changes in fair value (Losses are marked with "-")		**(104)**	31
Impairment losses on assets (Losses are marked with "-")		**178**	(156)
Credit impairment loss (Losses are marked with "-")		**(74)**	
Gain on disposal of assets (Losses are marked with "-")		**1**	
III. Operating profits (Losses are marked with "-")		**6,691**	639
Add: Non-operating revenue		**8**	21
Less: Non-operating expenses		**30**	42
IV. Total profits (Total losses are marked with "-")		**6,669**	618
Less: Income tax expenses	9	**1,469**	115

Items	*Notes*	**Current period**	Prior period
V. Net profits (Net losses are marked with "-")		**5,200**	503
(I) Classified by continuity of operations			
1. Net profits from continuing operations		**5,200**	503
2. Net profits of discontinuing operations			
(II) Classified by the attribution of ownership			
1. Net profits attributable to the owner of parent company		**5,183**	500
2. Minority gains and losses		**17**	3
VI. The net amount after tax of other comprehensive income		**13**	13
The net after-tax value of other comprehensive income attributable to the owner of parent company		**13**	13
(I) The other comprehensive income which cannot be reclassified into profit or loss		**14**	13
1. Changes in fair value of other investments in equity instrument		**14**	13
(II) The other comprehensive income which can be classified into profit or loss		**(1)**	

Items	*Notes*	**Current period**	Prior period
1. Other comprehensive income converted into profit or loss under the equity method		**(1)**	
Net other comprehensive income attributable to minority shareholders after tax			
VII. Total comprehensive income		**5,213**	516
Total comprehensive income attributable to shareholders of the parent company		**5,196**	513
Total comprehensive income attributable to minority shareholders		**17**	3
VIII. Earnings per share:			
(I) Basic earnings per share *(RMB/share)*	10	**0.551**	0.053
(II) Diluted earnings per share *(RMB/share)*	10	**0.546**	0.053

Legal representative:	*Chief accountant:*	*Person-in-charge of accounting department:*
Wang Yidong	**Wang Baojun**	**Qin Lianyu**

1. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The Group has evaluated its ability to continue as a going concern for the 12 months from 30 June 2021, and no matters or circumstances that cast significant doubt on its ability to continue as a going concern have been identified. 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 (Ministry of Finance issued No. 33, the Ministry of Finance amended 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 "ASBE") and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of Public Listed Companies No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission (CSRC) in 2014.

According to the relevant provisions of ASBE, 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 2021				
	Book Balance		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	Net Book Value
Accounts receivable subject to separate assessment for bad debts provision	**1,030**	**29.96**	**813**	**78.93**	**217**
Account receivable for which bad debt is prepared based on group combination	**2,408**	**70.04**	**6**	**0.25**	**2,402**
including: Risk-free group combination	**833**	**24.23**			**833**
Risk group combination on the basis of aging-matrix	**1,575**	**45.81**	**6**	**0.38**	**1,569**
Total	**3,438**	**100.00**	**819**	**23.82**	**2,619**

Items	31 December 2020				
	Book Balance		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	Net Book Value
Accounts receivable subject to separate assessment for bad debts provision	1,031	30.89	739	71.68	292
Account receivable for which bad debt is prepared based on group combination	2,307	69.11	6	0.26	2,301
including: Risk-free group combination	455	13.63			455
Risk group combination on the basis of aging-matrix	1,852	55.48	6	0.32	1,846
Total	3,338	100.00	745	22.32	2,593

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

Debtors	30 June 2021 Book Balance	Bad Debt Provision	Percentage (%)	Reason
Tianjin Resources Group Finance Co., Ltd.	**605**	**472**	**78.02**	**Notes overdue**
HNA Group Finance Co., Ltd	**264**	**225**	**85.23**	**Notes overdue**
Chongqing Lifan Finance Co., Ltd	**78**	**34**	**43.59**	**Notes overdue**
Anshan Zhongyou Tianbao Steel Pipe 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**
Shenyang Brilliance Dongxing Auto Parts Co., Ltd.	**1**	**1**	**100.00**	**The company has filed for bankruptcy**
Total	**1,030**	**813**	**–**	–

(3) Accounts receivable classified by aging

Aging	30 June 2021	31 December 2020
Within 1 year	**2,341**	2,234
1 to 2 years	**959**	968
2 to 3 years	**14**	14
3 to 4 years	**11**	14
4 to 5 years	**17**	16
Over 5 years	**96**	92
Total	**3,438**	3,338

Note: In the above analysis, the aging of accounts receivable (RMB947 million in total) transferred from overdue notes receivable is calculated on the transfer date. The aging is 1 to 2 years. Meanwhile, the rest of accounts receivable is based on the invoice date.

(4) Bad debt provision

Type	31 December 2020	Increase/Decrease			30 June 2021
		Bad debt provision	**Reverse**	**Resale or verification**	
Accounts receivable	745	75	1		**819**

(5) Accounts receivable written off this period

There are no accounts receivables that have been written off this period.

(6) The condition of accounts receivable of the top five debtors by the balances as of 30 June 2021

The aggregate amount of the Group's top five accounts receivable with 30 June 2021 balances aggregated by party in default for the period was RMB2,202 million, representing 64.05% of the total 30 June 2021 balances of accounts receivable, and the corresponding aggregate amount of bad debt provision for 30 June 2021 balances was RMB697 million.

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

The Group transferred accounts receivable on a non-recourse basis of RMB620 million during the period and incurred costs related to derecognition of RMB11 million during the period.

3. ACCOUNTS PAYABLE

(1) Aging of accounts payable

Items	30 June 2021 Amount	30 June 2021 Percentage (%)	31 December 2020 Amount	31 December 2020 Percentage (%)
Within 1 year	**7,879**	**98.80**	7,858	98.98
1 to 2 years	**21**	**0.26**	10	0.13
2 to 3 years	**4**	**0.05**		
Over 3 years	**71**	**0.89**	71	0.89
Total	**7,975**	**100.00**	7,939	100.00

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

(2) Significant account payable aging over 1 year

Creditors	Amount owed	Aging
Tangyuan County Tianyu Coal Coke Energy Co., Ltd.	65	2 to 3 years, 4 to 5 years, Over 5 years
Total	65	

4. UNDISTRIBUTED PROFIT

Items	Current period
31 December 2020	**6,798**
Changes in accounting policies	
Business combination under the common control	
1 January 2021	**6,798**
Increase in the period	**5,183**
Including: Net profit transferred this period	**5,183**
Other adjustment factors	
Decrease in the period	**790**
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions this period	
Distribution of cash dividend this period (Note)	**790**
Converted capital	
Other decrease	
30 June 2021	**11,191**

Note: According to the resolution of the 2020 Annual General Meeting of Shareholders held on 26 May 2021, the Company distributed cash dividends to all shareholders at RMB0.84 every 10 shares. According to the issued shares of 9,399,600,178 shares, it's totaling RMB790 million. All of them have been released as of 30 June 2021.

5. OPERATING REVENUE AND OPERATING COSTS

(1) Classified by production

	Current period		Prior period	
Items	**Income**	**Costs**	Income	Costs
Main business	**72,269**	**63,682**	44,482	41,883
Other business	**282**	**145**	168	155
Total	**72,551**	**63,827**	44,650	42,038

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 of income source

Items	Current period	Prior period
Foreign transaction income from the within borders	**68,571**	43,023
Foreign exchange income from outside borders	**3,980**	1,627
Total	**72,551**	44,650

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

Items	Current period	Prior period
Confirmed at a certain point	**72,551**	44,650
Total	**72,551**	44,650

6. TAXES AND SURCHARGES

Items	Current period	Prior period
City maintenance and construction tax	**95**	67
Educational surcharges	**68**	48
Land use tax	**214**	213
Property tax	**78**	76
Stamp tax	**60**	40
Resources tax	**1**	1
Environmental protection tax	**57**	34
Total	**573**	479

7. DEPRECIATION AND AMORTIZATION

Items	Current period	Prior period
Depreciation of fixed assets	**1,800**	1,772
Amortization of intangible assets	**94**	93
Depreciation of right-of-use assets	**66**	63
Total	**1,960**	1,928

8. FINANCIAL EXPENSES

Items	Current period	Prior period
Interest expenses	**341**	479
Including: Interest expenses from long-term borrowings and long-term bonds	**100**	125
Interest expenses from Short-term borrowings and letter of credit	**104**	263
Other interest expenses	**137**	91
Less: Interest income	**28**	25
Less: Interest capitalization amount	**4**	5
Exchange gain or loss	**(15)**	29
Less: Capitalized exchange gain or loss		
Others	**22**	24
Total	**316**	502

9. INCOME TAX EXPENSES

(1) Income tax expenses

Items	Current period	Prior period
Income tax expenses during this period	**1,031**	238
Changes on deferred income tax expenses	**438**	(123)
Total	**1,469**	115

(2) Adjustment process of accounting profit and income tax expense

Items	Current period
Total profit	**6,669**
Income tax expenses calculated at statutory/applicable tax rates	**1,667**
Effect of different tax rates applied by subsidiary companies	**(2)**
Effect of adjustments for income tax for prior period	**(8)**
Effect of income not subject to tax	**(289)**
Effect of costs, expenses and loss not deductible for tax purpose	
Effect of deductible loss of deferred tax assets not recognized in prior periods	
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax assets	**(20)**
Changes in the balance of deferred tax assets/liabilities at the beginning of the period resulting from tax rate adjustments	
Others	**121**
Income tax expenses	**1,469**

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	9.26	0.551	0.546
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	9.40	0.559	0.554

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 2021**	31 December 2020
Investment contracts entered but not yet performed or performed partially	**14**	14
Construction and renovation contracts entered but not yet performed or performed partially	**3,810**	4,279
Total	**3,824**	4,293

13. SUBSEQUENT EVENTS

As of the approval date of the financial statements, the Group has no major future events that should be explained.

14. NET CURRENT ASSETS

Items	**30 June 2021**	31 December 2020
Current assets	**27,085**	23,016
Less: Current liabilities	**25,399**	27,702
Net current assets/(liabilities)	**1,686**	(4,686)

15. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	**30 June 2021**	31 December 2020
Total assets	**91,301**	88,046
Less: Current liabilities	**25,399**	27,702
Total assets less current liabilities	**65,902**	60,344

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

Anshan City, Liaoning Province, the PRC
27 August 2021

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

Executive Directors:
Wang Yidong
Li Zhen
Li Zhongwu
Wang Baojun

Independent Non-executive Directors:
Feng Changli
Wang Jianhua
Wang Wanglin
Zhu Keshi

* *For identification purposes only*