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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)

2022 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB70,294 million
- Total profit amounted to RMB2,206 million
- Net profit attributable to shareholders of the Company amounted to RMB1,716 million
- Basic earnings per share amounted to RMB0.182 (January to June 2021: basic earnings per share (after adjustment) of RMB0.554)
- 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 2022 together with the comparative figures as stated herein.

DEFINITIONS:

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

Term	Meaning
“Company” or “Angang Steel”	Angang Steel Company Limited* (鞍鋼股份有限公司)
“Group”	Angang Steel Company Limited* and its subsidiaries
“Angang Holding”	Anshan Iron & Steel Co. Ltd* (鞍山鋼鐵集團有限公司), the controlling shareholder of the Company
“Anshan Iron & Steel Group Complex”	Angang Holding and the companies in which it holds 30% or above interests (excluding the Group)
“Angang”	Angang Group Company Limited* (鞍鋼集團有限公司), the de facto controller of the Company
“Angang Group”	Angang and the companies in which it holds 30% or above interests (excluding the Group)
“Angang Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
“Karara”	Karara Mining Limited (卡拉拉礦業有限公司*)
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團釩鈦資源股份有限公司)
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries
“Reporting Period”	half year ended 30 June 2022
“Supply of Materials and Services Agreement (2022–2024)”	the Supply of Materials and Services Agreement (2022–2024) entered into between the Company and Angang Group, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021

“Supply of Materials Agreement (2022–2024)”	the Supply of Materials Agreement (2022–2024) entered into between the Company and Pangang Vanadium & Titanium, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Financial Service Agreement (2022–2024)”	the Financial Service Agreement (2022–2024) entered into between the Company and Angang Financial Company, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Supply Chain Financial Service Agreement (2022–2024)”	the Supply Chain Financial Service Agreement (2022–2024) entered into between the Company and Angang Group Capital Holding Co., Ltd., which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Continuing Connected Transaction Agreements”	collectively, the Supply of Materials and Services Agreement (2022–2024), the Supply of Materials Agreement (2022–2024), the Financial Service Agreement (2022–2024) and the Supply Chain Financial Service Agreement (2022–2024)
“Bayuquan Branch Company”	Bayuquan Iron & Steel Branch Company* of Angang Steel (鞍鋼股份鮫魚圈鋼鐵分公司)
“Chaoyang Iron and Steel”	Angang Group Chaoyang Iron and Steel Co., Ltd.* (鞍鋼集團朝陽鋼鐵有限公司)
“Angang International Trade”	Angang Group International Economic and Trade Co., Ltd. *(鞍鋼集團國際經濟貿易有限公司)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP

Whether the Company needs to retroactively adjust or restate the accounting data for previous year

Yes No

Reason for retroactive adjustment or restatement: business combination under the common control

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 after adjustment
		before adjustment	after adjustment	
Operating income	70,294	72,551	72,307	-2.78
Net profit attributable to the shareholders of the Company	1,716	5,183	5,210	-67.06
Net profit attributable to the shareholders of the Company after deduction of non-recurring gains or losses items	1,669	5,260	5,260	-68.27
Net cash flow from operating activities	4,140	8,639	8,677	-52.29
Basic earnings per share (RMB/share)	0.182	0.551	0.554	-67.15
Diluted earnings per share (RMB/share)	0.182	0.546	0.546	-66.67
Returns on net assets on weighted average basis (%)	2.84	9.26	9.15	Decreased by 6.31 percentage points

	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 (%)
		before adjustment	after adjustment	after adjustment
Total assets	96,247	97,526	98,652	-2.44
Owner's equity attributable to shareholders of the Company	59,719	59,666	60,711	-1.63

Note: On 30 December 2021, as approved at the 55th meeting of the eighth session of the Board of the Company, the Company entered into an agreement with Angang Holding for the acquisition of the net assets of the Second Power Plant under Angang Holding. The Company has completed the acquisition, which was treated as a business combination under common control according to the asset delivery date as determined in the agreement, and retrospectively adjusted its accounting data for the corresponding period of the previous year.

NON-RECURRING GAINS OR LOSSES ITEMS:

Unit: RMB million

Item	Amount
Gains/losses from disposal of non-current assets	-6
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	18
Changes in fair value of other non-current liabilities (part of derivative financial instruments)	49
Other non-operating income and expenses apart from those stated above	2
Less: Effect of income tax	16
Total	47

II. REPORT OF THE BOARD OF DIRECTORS

(I) Overview

Since the beginning of the year, in the face of the adverse factors such as the pandemic, production limitation in haze days and market downturn, the Company efficiently organised production, strengthened cost reduction and efficiency enhancement, and spared no effort to expand the market. Production and operation were generally stable and orderly, and new progress was made in various tasks.

In the first half of the year, the Group achieved operating income of RMB70,294 million, representing a decrease of 2.78% over the corresponding period of the previous year. The total profit reached RMB2,206 million, representing a decrease of 67.05% over the corresponding period of the previous year. The net profit attributable to shareholders of the Company was RMB1,716 million, representing a decrease of 67.06% over the corresponding period of the previous year. The basic earnings per share were RMB0.182 per share, representing a decrease of 67.15% over the corresponding period of the previous year. The sales profit margin was 3.14%, representing a year-on-year decrease of 6.12 percentage points.

1. Streamlining organisation, strengthening collaboration, stabilising production and improving quality to create efficiency. The Group strengthened the integration of production and sales, strengthened the interaction among bases and production linkage, optimised resource allocation, lean organisation of production, and strived to improve economic and technical indicators. In the first half of the year, the output of iron, steel and rolled steel was 13,120,000 tonnes, 13,500,000 tonnes and 12,670,000 tonnes, respectively, representing a decrease of 3.17%, 7.34% and 7.11%, respectively, as compared with the corresponding period of the previous year. The sales volume of rolled steel was 13,030,000 tonnes, representing a decrease of 3.62% as compared with the corresponding period of the previous year, achieving a sales-output ratio of 102.84% for rolled steel. The comprehensive yield ratio of rolled steel increased by 0.13 percentage point from last year. New breakthrough was made for the output of oriented silicon steel, the yield ratio increased by 10.5 percentage points as compared with the previous year, and the profitability of oriented silicon steel products increased significantly.
2. Leading by objectives, implementing responsibilities and reducing costs through multiple measures. The Company focused on the main working line of “high efficiency, low cost, strong system and cost

reduction”, continued to facilitate systematic cost reduction, adhered to target-oriented, established a systematic cost reduction target system, smoothed the circulation, strengthened system guarantee, and improved market competitiveness. The Company strengthened benchmarking and exchanges with industry benchmark enterprises, strengthened comprehensive budget management, deeply exploited potential of cost reduction from the whole-process of “procurement, production, sales, logistics, energy, quality cost”, formulated 12 measures for systematic cost reduction, refined and decomposed rigid cost reduction indicators, and promoted extreme cost reduction through strengthening institutionalised assessment and implementation of responsibilities.

3. Market development, innovation of services and enhancement of brand influence. Adhering to market orientation and allocating resources efficiently to ensure maximum efficiency of the Company. The Company adhered to product development, led by marketing, promoted the integration of sales, research and production, and achieved a breakthrough in the proportion of supply of high-priced products such as oriented silicon steel. Innovating service models to improve customer experience. Adhering to the customer-centric principle, the Company constantly explored and innovated new service models to effectively respond to the new changes in the pandemic. Relying on the information system and the three-level service system, the Company realised communication with customers through cloud and improved service efficiency and service quality. The Company won the “2021 Best Procurement Partner Award” granted by Dongfeng Nissan Vehicles. Our sales volume in the northeast region increased by 1.67% year-on-year in the first half of the year as a result of deep penetration in the northeast region and deepening the post-market price evaluation mechanism. Expanding overseas markets, and focusing on the “The Belt and Road” market, the Company gave full play to the brand advantages of Angang, joined hands with well-known domestic engineering enterprises and strategic customers to strengthen cooperation in overseas markets, and realised indirect export of various types of heavy rails for overseas projects.
4. Technology leading, technological innovation and driving force for technological breakthrough. Accelerating the pace of technological research and development and improving the technological leadership. The Company completed the self-assessment of four key core technology research projects in phase I, appointed 21 leaders for the scientific and technological leadership plan in phase II, formulated the construction plan of a base of original technologies covering 16 key areas in four sub-fields, and obtained 256 national patents,

accounting for 48.8% of the invention patents. 8 projects including “Key Technology Development and Industrialization Application of Third-generation Pipeline Steel for Super-large Capacity” won the Science and Technology Progress Award of Liaoning Province; “A Method for Preparing High-Strength Coke for Iron Smelting Using Chemical Waste” won the 23rd China Patent Excellence Award; 2 projects including “A High-Strength and High-Toughness Marine Cryogenic Steel and its Manufacturing Method” were awarded the first prize and the third prize of Liaoning Patent Award.

5. Digital construction, smart manufacturing, system optimisation and efficiency improvement. The intelligent operation integrated control system of Anshan Iron & Steel was put into full operation. The Company accelerated intelligent manufacturing and digital transformation, focused on “no humanization”, “less humanization” and “one-click”, and actively carried out the application of basic automation upgrading, intelligent equipment, process model optimisation, big data analysis and centralised control centre around the overall improvement project of management and informatization, so as to accelerate the upgrading and transformation. In the first half of the year, the Company launched 26 informatization investment projects, focusing on the construction of intelligent manufacturing demonstration factories in Bayuquan base, intelligent production lines such as Chaoyang Iron and Steel Digital Intelligent Control Centre, and the coordination and linkage of upstream and downstream processes to create a 5G industrial boutique network. The automatic control rate of Bayuquan base production line was 100%, the replacement rate of 3D post machines was 45%, and the big data platform for full-process quality was basically completed. 37 projects, including the RH Thermometry Sampler Robot Project at the argon flushing station of Steelmaking General Plant, Third Branch, were put into operation.
6. Energy conservation and emission reduction, consumption reduction and carbon reduction, and green and low-carbon development. The Company completed overall carbon reduction plan, determined dual carbon targets and launched in different stages as the planned objective. The Company also vigorously explored the efficiency of clean energy, actively promoted the application of “green power” of clean energy, significantly increased the trading power of nuclear power and wind power, and traded clean energy power of 2,500,000,000 kWh, representing an increase of 2,180,000,000 kWh over the previous year, reduced the cost of power purchase by RMB170 million, and reduced carbon dioxide emissions by 420,000 tonnes. The Company continued to increase investment in energy-saving projects, launched and implemented 21 energy-saving projects, deeply explored the

energy-saving potential of each process and production line, and promoted the continuous improvement of energy consumption indicators. The ultra-low emission transformation was carried out in an orderly manner. 33 ultra-low emission transformation projects were launched, with a planned investment of RMB713 million. The headquarters in Anshan and Chaoyang Iron & Steel completed the preliminary assessment of ultra-low emission transformation. The Company strengthened the treatment of pollutant emissions, and the total amount of pollutant emissions further decreased. The emissions of sulphur dioxide, nitrogen oxides, particulate matter and COD decreased by 27.5%, 3.8%, 6.7% and 20.9%, respectively, as compared with the corresponding period of the previous year.

7. Enhancing internal control, preventing risks, strengthening foundation and building bottom line. The Company strengthened the barrier for pandemic prevention and control, insisted on overall decision-making and quick response, and achieved the maximum pandemic prevention effect at the lowest cost. In the first half of the year, the Company achieved the goal of zero infection for current employees and zero import of case in the factory area. While doing a good job in pandemic prevention and control, it also ensured the stable and smooth operation of the Company's production and operation. We carried out the "Safety Standard Improvement Year" activity to strengthen special safety rectification and achieve zero serious injury or above accidents. In the first half of 2022, Angang Steel had zero major environmental pollution accidents. The implementation rate of "three simultaneous" environmental protection of construction projects, compliance disposal rate of hazardous waste and compliance utilisation rate of radioactive sources were 100%.

(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	70,294	72,307	-2.78	-
Operating costs	66,613	63,560	4.80	-
Marketing expenses	309	299	3.34	-
Administrative expenses	659	766	-13.97	-
Financial expenses	277	317	-12.62	-
Income tax expenses	475	1,469	-67.67	Income tax expenses decreased by RMB994 million as compared with the same period of the previous year, mainly due to (i) a year-on-year decrease in the profits of the Company, resulting in a year-on-year decrease of RMB536 million in income tax expenses for the current period; and (ii) a year-on-year decrease of RMB458 million in deferred income tax expenses as a result of a decrease in deferred income tax assets due to the utilisation of unrecovered losses during the same period of the previous year.

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Research and development expenses	395	291	35.74	Research and development expenses increased by RMB104 million as compared to the same period of the previous year, which was mainly due to the impact of the increase in trial research expenses for new products.
Net cash flow from operating activities	4,140	8,677	-52.29	Net cash inflow from operating activities decreased by RMB4,537 million year on year, mainly because (i) the cash received from sales of goods and rendering of services decreased by RMB6,689 million year on year; (ii) the cash paid for goods purchased and services received decreased by RMB1,515 million year on year; and (iii) the payment for various taxes decreased by RMB734 million year on year.
Net cash flow from investing activities	-2,215	-1,220	-81.56	Net cash outflow from investing activities increased by RMB995 million year on year, mainly due to a year-on-year increase of RMB1,186 million in cash payment for the purchase and construction of fixed assets, intangible assets and other long-term assets.

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net cash flow from financing activities	-2,627	-5,621	53.26	Net cash outflow from financing activities decreased by RMB2,994 million year on year, mainly because (i) the cash received from borrowings obtained decreased by RMB4,235 million year on year; (ii) the cash payment for repayment of debts decreased by RMB8,628 million year on year; and (iii) a year-on-year increase of RMB1,223 million in cash payment for distribution of dividends, profits or payment of interest.
Net increase in cash and cash equivalents	-702	1,836	-138.24	Net increase in cash and cash equivalents decreased by RMB2,538 million year on year, mainly because (i) the net cash inflow from operating activities decreased by RMB4,537 million year on year; (ii) the net cash outflow from investing activities increased by RMB995 million year on year; (iii) the net cash outflow from financing activities decreased by RMB2,994 million year on year.

2. Significant change in profit composition or source of profit of the Company during the Reporting Period

Applicable Not applicable

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

3. Composition of operating income

Unit: RMB million

	The Reporting Period		Corresponding period of the previous year		Year-on-year increase/ decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total operating Income	<u>70,294</u>	<u>100</u>	<u>72,307</u>	<u>100</u>	<u>-2.78</u>
By industry					
Steel pressing and processing industry	70,105	99.73	71,999	99.57	-2.63
Others	189	0.27	308	0.43	-38.64
By product					
Steel products	64,258	91.41	67,506	93.36	-4.81
Others	6,036	8.59	4,801	6.64	25.72
By geographical location					
China	66,837	95.08	68,327	94.50	-2.18
Export sales	3,457	4.92	3,980	5.50	-13.14

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

Applicable Not applicable

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	70,105	66,440	5.23	-2.63	4.78	-6.70
By product						
Hot-rolled sheets products	21,291	19,821	6.90	-4.51	7.46	-10.38
Cold-rolled sheets products	23,606	22,057	6.56	-2.99	5.66	-7.65
Medium-thick plates	13,513	13,129	2.84	5.37	12.11	-5.84
By geographical location						
China	66,648	63,283	5.05	-2.02	5.98	-7.16
Export sales	3,457	3,157	8.68	-13.14	-14.56	1.52

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

Applicable Not applicable

4. *Liquidity and financial resources*

As at 30 June 2022, the Group had long-term loans (exclusive of loans due within one year) of RMB50 million with interest rates of 3.9% and a term of 3 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 RMB3,950 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 2022. The Group is able to repay its debts as they fall due.

As at 30 June 2022, the Group had a total capital commitment of RMB3,505 million, which was primarily attributable to the investment contracts of RMB74 million entered into but not yet performed or partially performed and construction and renovation contracts of RMB3,431 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	104	4.71	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	132	5.98	Included changes in fair value of derivative financial instruments and embedded derivative financial instruments.	Yes
Asset impairment losses	392	17.77	Mainly included reversal of provisions for impairment on inventories.	No
Credit impairment loss	65	2.95	Mainly included reversal of credit impairment losses on receivables.	No
Other gains	16	0.73	Mainly included gains on government grants.	No
Non-operating income	49	2.22	Mainly included gains on destruction or scrap of non-current assets.	Yes
Non-operating expenses	67	3.04	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

	As at the end of the Reporting Period		As at the end of the previous year		Increase/ decrease (percentage point)	Explanation for significant changes
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary capital	4,696	4.88	5,398	5.47	-0.59	-
Accounts receivables	3,234	3.36	1,894	1.92	1.44	-
Inventories	14,959	15.54	19,059	19.32	-3.78	-
Long-term equity investments	2,937	3.05	3,071	3.11	-0.06	-
Fixed assets	47,766	49.63	48,558	49.22	0.41	-
Construction in progress	4,608	4.79	4,644	4.71	0.08	-
Right-of-use assets	843	0.88	689	0.70	0.18	-
Short-term loans	640	0.66	650	0.66	-	-
Contract liabilities	6,054	6.29	8,631	8.75	-2.46	-
Long-term loans	50	0.05	3,650	3.70	-3.65	-
Lease liabilities	405	0.42	346	0.35	0.07	-

2. Information on main overseas assets

Applicable

Not applicable

3. *Assets and liabilities measured at fair value*

Applicable Not applicable

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	Other changes	Closing balance
Financial assets								
Including:								
1. Financial assets held for trading (excluding derivative financial assets)	43	0						43
2. Derivative financial assets	3	-2						1
3. Other debt investment								
4. Other equity instrument investments	496		160					596
Sub-total of financial assets	<u>542</u>	<u>-2</u>	<u>160</u>					<u>640</u>
Investment properties								
Productive biological assets								
Others								
Total	<u>542</u>	<u>-2</u>	<u>160</u>					<u>640</u>
Derivative financial liabilities	<u>116</u>	<u>-75</u>						<u>41</u>

Material changes in measurement of major assets during the Reporting Period

Yes No

4. *Gearing ratio*

As at 30 June 2022 and 31 December 2021, the Group's equity-to-debt ratio was 1.67 times and 1.64 times, respectively.

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

The Group pledged notes receivable with a carrying amount of RMB277 million to banks in the period to secure notes payable of RMB266 million. The term of the pledge is from March 2022 to November 2022.

6. *Contingent liabilities*

As at 30 June 2022, the Group had no contingent liabilities.

(V) Work Plan for the Second Half of 2022

Affected by factors such as the continuous spread of the global COVID-19 pandemic and local conflicts in the world, the pressure of global inflation has increased. The US and Europe will adopt a more tightened monetary policy to curb inflation, and the global economy will gradually decline. Since the beginning of this year, under the triple pressure of economic development, China has seen increasing complexity, severity and uncertainty in economic development, the downward pressure on the macro economy has intensified, making economic development face unprecedented challenges. The country has introduced a package of measures to stabilise growth, and these measures are expected to take effect gradually by clarifying the direction of macro policy and capital market development. In the second half of the year, the demand for steel is expected to gradually recover. However, due to the current complex and volatile international political situation and the various difficulties and challenges faced by the current economic operation of the industry, there are still great uncertainties in the future development of the iron and steel industry.

Facing the complex and ever-changing situation, the Company will firmly focus on the main line of “high efficiency, low cost, strong system, and cost reduction”, focus on key points, seize crucial points, promote the implementation of various measures of “stabilising production, improving quality, reducing cost, and increasing efficiency” and strive to improve the competitiveness of the Company. In the second half of the year, the Company will focus on the following aspects:

1. Strengthen corporate governance and enhance high-quality development capability;
2. Innovate customer services and enhance capabilities of marketing and creating benefits;
3. Promote extreme cost reduction and enhance cost competitiveness capability;
4. Strengthen technological innovation and enhance technological leadership capability;
5. Strengthen the bottom-line thinking and enhance the risk prevention capability;
6. Deepen energy conservation and carbon reduction and enhance green development capability.

(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 (%)
362	4	8,950

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	Gains or losses	Accumulative	Purchase	Disposal	Loss	Book value	Accounting item	Source of funds
					at the beginning of the period	on fair value change for the current period	changes in fair value included in equity	amount for the current period	amount for the current period	during the Reporting Period			
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	43	0	-	-	-	0	43	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 or loss during the Reporting Period
												0.56%	35
Angang Steel	None	No	Futures hedging	1	29 April 2015	-	306	527	519	-	339	0.56%	35
Angang Steel	None	No	Exchange rate swap	-	29 October 2020	18 May 2023	-	-	-	-	-	-	24
Total				1	-	-	306	527	519	-	339	0.56%	59

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 2022, the Resolution in relation to the Company's 2022 Annual Hedging Business Amount was approved at the 60th 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:

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 2022, the settlement prices of main connected contracts of hot rolled coil, nickel, iron ore, coking coal and coke were RMB4,459/ton, RMB151,690/ton, RMB679.5/ton, RMB2,313/ton and RMB3,019.5/ton, respectively; on 30 June 2022, the settlement prices of main connected contracts of hot-rolled coil, nickel, iron ore, coking coal and coke were RMB4,407/ton, RMB176,920/ton, RMB802.5/ton, RMB2,429/ton and RMB3,126.5/ton, respectively. The changes in fair values of hot-rolled coil, nickel, iron ore, coking coal and coke were – RMB52/ton, +RMB25,230/ton, +RMB123/ton, +RMB116/ton and +RMB107/ton, respectively.

- Foreign exchange hedging:

At the time of entering into the 2020 contracts, 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 December 2020 was 0.84164. 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.

The Company extended the term of the contracts upon the expiry of the term of such contracts in May 2021, 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

The Company did not dispose of any material assets during the Reporting Period.

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	6,213	4,800	5,550	421	316

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable Not applicable

Name of company	Means of acquisition and disposal of subsidiaries during the Reporting Period	Effect on the overall production, operation and results
Beijing Angang Trade Co., Ltd.* (北京鞍鋼貿易有限公司)	Establishment through investment	No significant impact
Delin Industrial Products Ltd.* (德鄰工業品有限公司)	Establishment through investment	No significant impact

(IX) Structured Entities Controlled by the Company

Applicable Not applicable

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

On 28 January 2022, the Company completed the registration of the grant of reserved restricted shares under the 2020 Restricted Share Incentive Scheme, and granted 5,241,400 restricted shares to 37 incentive participants. On 25 February 2022, the Company completed the redemption and cancellation of 2,229,750 restricted shares held by 8 incentive participants which had been granted but not yet released from restriction on sales, with a total amount of RMB4,191,930 for the repurchase and cancellation of the restricted shares.

Save for the aforementioned matters, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any securities of the Company during the Reporting Period.

(XI) Securities Transactions by Directors

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

The Company has also adopted a code of conduct governing securities transactions by the employees of the Company who may possess or have access to price sensitive information in relation to the Company or its securities.

(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 2022.

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 Stock Exchange Listing Rules. Relevant connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Stock Exchange Listing Rules.

1. Connected transactions related to daily operations

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB 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	-	4,807	12.58	39,764	No	In cash	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	4,435	11.61			In cash	-
Angang Group International Economic and Trade Co., Ltd.* (鞍鋼集團國際經濟貿易有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,078	2.82			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	Approved transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market
							percentage of the amount of similar transactions (%)				price of available similar transactions
Shanxi Wuchan International Energy Co., Ltd. (山西物產國際能源有限公司)	Associate of controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,649	4.32			In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,317	3.45			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle		485	1.27			In cash	-
Sub-total	-	-	Purchase main materials	-	-	13,771	36.05			-	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	414	1.54	1,462	No	In cash	-
Sub-total	-	-	Purchase steel products	-	-	414	1.54			-	-
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	-	462	13.25	3,691	No	In cash	-
Angang Refractory Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	358	10.26			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	508	14.56			In cash	-
Sub-total	-	-	Purchase auxiliary materials	-	-	1,328	38.07			-	-

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	Approved transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market
							percentage of the amount of similar transactions (%)				price of available similar transactions
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	58	92.06	1,798	No	In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	58	92.06			-	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	510	7.53	9,362	No	In cash	-
Delin Lugang Supply Chain Service Co., Ltd.* (德鄰陸港供應鏈服務有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	484	7.15			In cash	-
Angang Group Engineering Technology Co., Ltd.	Associate of controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	422	6.23			In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	482	7.12			In cash	-
Angang Group Engineering Technology Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	265	3.91			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	-	221	3.26			In cash	-
Angang Auto Transport Co., Ltd	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	212	3.13			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	506	7.47			In cash	-
Sub-total	-	-	Receive supporting services	-	-	3,102	45.80			-	-

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	Approved transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
							percentage of the amount of similar transactions (%)				
Delin Lugang 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	-	2,973	3.58	16,171	No	In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	491	0.59			In cash	-
Angang Group International Economic and Trade Co., Ltd.* (鞍鋼集團國際經濟貿易有限公司)	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	534	0.64			In cash	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	703	0.85			In cash	-
Sub-total	-	-	Sales of products	-	-	4,701	5.66			-	-
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	-	188	96.91	418	No	In cash	-
Sub-total	-	-	Sell scrap steel material, abandoned material, minus sieve powder	-	-	188	96.91			-	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	-	184	23.83	1,527	No	In cash	-
Sub-total	-	-	Provide comprehensive services	-	-	184	23.83			-	-

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 Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interests	Market principle	-	26	37.68	100	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	4,965		5,000	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	-	6	3.45	250	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	-	0	0	100	No	-	In cash
Angang Group Capital Holding Co., Ltd.	Controlled by the same controlling shareholder	Receive finance services	Commercial factoring	Market principle	-	225	100	1,000	No	In cash	-
Angang Group Capital Holding Co., Ltd.	Controlled by the same controlling shareholder	Receive finance services	Commercial factoring interest	Market principle	-	2	100	50	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*

Applicable

Not applicable

Unit: RMB million

Related parties	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Carrying value of assets transferred	Appraised value of assets transferred	Transfer price	Means of settlement of related party transaction	Transaction gains or losses
Angang Holding	Controlling shareholder	Acquisition of net assets	Acquisition of the net assets of the Second Power Plant of Anshan Holding	Price was determined based on the appraised value of the net assets of the Second Power Plant held by Angang Holding issued by China United Assets Appraisal Group Co., Ltd.	1,035	1,126	1,126	Cash	0
Reasons for the substantial differences between the transfer price and the carrying value or appraised value (if any)				-					
Impact on the operating results and financial condition of the Company				No significant impact					
Results realization status during the Reporting Period if relevant transaction involves agreement on results				-					

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

Applicable Not applicable

Unit: RMB million

Co-investors	Related relationship	Name of investee	Principal business of the investee	Registered capital of the investee	Total assets of the investee	Net assets of the investee	Net profit of the investee
Delin Lugang Supply Chain Service Co., Ltd.* (德鄰陸港供應鏈服務有限公司)	Controlled by the same controlling shareholder	Delin Industrial Products Ltd.* (德鄰工業品有限公司)	Procurement and consulting services of industrial products such as equipment and materials; industrial goods e-commerce trading and supply chain financial services; related logistics, warehousing and distribution services; asset leasing and other services.	180	164	164	0

Progress of major projects under construction of the investee (if any) -

4. **Related party credit and debt transaction**

Applicable Not applicable

Whether there are claims or obligations for non-operating purpose

Yes No

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

5. Transaction with connected financial company

Applicable

Not applicable

Unit: RMB million

Deposit business

Related party	Related relationship	Maximum daily deposit limit	Range of deposit interest rate	Balance as at the beginning of the period	Balance as at the end of the period	Amount during the period	
						Total amount deposited during the period	Total amount withdrawn during the period
Angang Financial Company	Controlled by the same controlling shareholder	5,000	1.725%	3,475	230,925	230,585	3,815

Loan business

Related party	Related relationship	Loan facility	Range of loan interest rate	Balance as at the beginning of the period	Balance as at the end of the period	Amount during the period	
						Total loan amount for the period	Total amount repaid during the period
Angang Financial Company	Controlled by the same controlling shareholder	3,000	3.48%	0	0	0	0

Credit extension or other financial business

Related party	Related relationship	Type of business	Total amount	Actual amount
Angang Financial Company	Controlled by the same controlling shareholder	Credit extension	3,000	0

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

Applicable Not applicable

7. Other major connected transactions

On 19 May 2022, the Resolution on Provision of Counter Guarantee to Anshan Iron & Steel Group Co., Ltd. in Relation to the Reinforcing Steel Delivery Warehouse Business was approved at the 64th meeting of the eighth session of the Board of the Company. In order to promote the steady development of the Company's futures business, Angang Holding provided a guarantee for the Company's application to the Shanghai Futures Exchange for the qualification of delivery warehouse and signed a letter of guarantee. The Company provided counter guarantee to Angang Holding in accordance with the relevant terms of the letter of guarantee. The amount of counter guarantee shall not exceed RMB300 million.

(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 (2022-2024). 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 RMB62 million paid in the first half of 2022.

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.

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.

IV. 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 Stock Exchange 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 set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange as currently effective. The Company has periodically reviewed its corporate governance practices, and properly complied with the Corporate Governance Code. During the six months ended 30 June 2022, the Company has complied with all the code provisions of the Corporate Governance Code which were effective during the Reporting Period.

V. FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

As at 30 June 2022

Prepared by: Angang Steel Company Limited

Monetary unit: RMB million

Items	Notes	30 June 2022	31 December 2021
Current assets:			
Cash and cash equivalents		4,696	5,398
Derivative financial assets		1	3
Notes receivable		217	25
Accounts receivable	2	3,234	1,894
Receivables financing		1,810	1,844
Prepayments		5,116	2,950
Other receivables		47	62
Including: Interests receivable			
Dividends receivable			
Inventories		14,959	19,059
Other current assets		634	1,306
Total current assets		30,714	32,541
Non-current assets:			
Long-term equity investments		2,937	3,071
Other investments in equity instruments		596	496
Other non-current financial assets		43	43
Fixed assets		47,766	48,558
Construction in progress		4,608	4,644
Right-of-use assets		843	689
Intangible assets		6,632	6,430
Deferred income tax assets		678	744
Other non-current assets		1,430	1,436
Total non-current assets		65,533	66,111
Total assets		96,247	98,652

Legal representative:

Wang Yidong

Chief Accountant:

Wang Baojun

Person-in-charge of accounting department:

Qin Lianyu

Items	Notes	30 June 2022	31 December 2021
Current liabilities:			
Short-term loans		640	650
Derivative financial liabilities		41	116
Notes payable		10,356	8,086
Accounts payable	3	9,359	9,970
Contract liabilities		6,054	8,631
Employee benefits payable		281	218
Tax payable		451	189
Other payables		1,981	2,164
Including: Interests payable			2
Dividends payable			
Non-current liabilities due within 1 year		5,510	601
Total current liabilities		34,673	30,625
Non-current liabilities:			
Long-term loans		50	3,650
Bonds payable			1,463
Lease liability		405	346
Long-term payables		57	480
Long-term employee benefits payable		112	112
Deferred income		541	543
Deferred income tax liabilities		132	157
Other non-current liabilities		14	39
Total non-current liabilities		1,311	6,790
Total liabilities		35,984	37,415

Items	<i>Notes</i>	30 June 2022	31 December 2021
Shareholders' equity:			
Share capital		9,403	9,405
Capital reserve		33,869	34,624
Less: Treasury shares		96	100
Other comprehensive income		119	44
Special reserve		155	107
Surplus reserve		4,452	4,452
Undistributed profit	4	11,817	12,179
Subtotal of Shareholders' equity attributable to shareholders of parent company		59,719	60,711
Minority interests		544	526
Total shareholders' equity		60,263	61,237
Total liabilities and shareholders' equity		96,247	98,652

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of accounting department:
Qin Lianyu

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

Prepared by: Angang Steel Company Limited

Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Operating income		70,294	72,307
Including: operating income	5	70,294	72,307
Operating costs		68,795	65,817
Less: Operating costs	5	66,613	63,560
Tax and surcharges	6	542	584
Marketing expenses		309	299
Administrative expenses		659	766
Research and development expenses		395	291
Financial expenses	8	277	317
Including: Interests expenses		206	338
Interests revenue		37	28
Add: Other income		16	21
Investment income (“-” for losses)		104	206
Including: income from investment in jointly ventures and associates		102	205
Gains/losses from fair value variation (“-” for losses)		132	(104)
Impairment losses on assets (“-” for losses)		392	178
Credit impairment loss (“-” for losses)		65	(74)
Asset disposal income (“-” for losses)		16	1

Items	<i>Notes</i>	Current period cumulative	Preceding period comparative
Operating profit (“-” for losses)		2,224	6,718
Add: Non-operating income		49	8
Less: Non-operating expenses		67	30
Profit before income tax (“-” for losses)		2,206	6,696
Less: Income tax expenses	9	475	1,469
Net profit for the period (“-” for losses)		1,731	5,227
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		1,731	5,227
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		1,716	5,210
ii. Minority interest income		15	17
The net amount after tax of other comprehensive income		75	13
Net after-tax net of other comprehensive income attributable to the parent company owner		75	13
I. The other comprehensive income which can not be reclassified into profit or loss		75	14
i. Changes in fair value of other investments in equity instrument investment		75	14
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	<i>Notes</i>	Current period cumulative	Preceding period comparative
Total comprehensive income		1,806	5,240
The other comprehensive income attributed to the owners of the company		1,791	5,223
The other comprehensive income attributed to the minority		15	17
Earnings per share:			
Basic earnings per share (<i>RMB/share</i>)	10	0.182	0.554
Diluted earnings per share (<i>RMB/share</i>)	10	0.182	0.546

In the case of business combination under common control in the current period, the net profit realized by the merged party before the merger was RMB0 million, and the net profit realized by the merged party in the same period last year was RMB27 million.

<i>Legal representative:</i> Wang Yidong	<i>Chief Accountant:</i> Wang Baojun	<i>Person-in-charge of accounting department:</i> Qin Lianyu
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NOTES TO FINANCIAL STATEMENTS

for The Period Ended 30 June 2022

(Expressed in million RMB unless otherwise indicated)

1. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The Group has evaluated the continuous operations ability for the 12 months from June 30, 2022, and has not found any matters or circumstances that have significant doubts about the continuous operations ability. Therefore, the financial statements are prepared on the assumption of going concern principle. In addition, the Group has prepared this report based on the actual transactions and events and in accordance with the Basic Standard and 42 specific standards of the Accounting Standards for Business Enterprises(abbreviated as “ASBE”) (Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as the “Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

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

2. ACCOUNTS RECEIVABLE

2.1 Classification of accounts receivable

Items	30 June 2022				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	932	23.29	765	82.08	167
Account receivable for which bad debt is prepared based on group combination	3,069	76.71	2	0.07	3,067
including: Risk-free group combination	1,320	33.00			1,320
Risk group combination on the basis of aging-matrix	1,749	43.71	2	0.11	1,747
Total	4,001	100.00	767	19.17	3,234

Items	31 December 2021				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,033	37.89	830	80.35	203
Account receivable for which bad debt is prepared based on group combination	1,693	62.11	2	0.12	1,691
including: Risk-free group combination	207	7.60			207
Risk group combination on the basis of aging-matrix	1,486	54.51	2	0.13	1,484
Total	2,726	100.00	832	30.52	1,894

2.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	30 June 2022			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
Tianjin Property Group Finance Co., Ltd.	586	462	78.84	Notes overdue
HNA Group Finance Co., Ltd.	214	179	83.64	Notes overdue
Chongqing Lifan Finance Co., Ltd.	50	43	86.00	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
Total	932	765	-	-

2.3 Accounts receivable classified by aging

Aging	30 June 2022	31 December 2021
Within 1 year	3,067	1,645
1 to 2 years	2	10
2 to 3 years		956
3 to 4 years	845	6
4 to 5 years		12
Over 5 years	87	97
Total	4,001	2,726

Note: In the above analysis, the aging of accounts receivable transferred from overdue notes receivable is calculated on the transfer date. The amount of accounts receivable due within 1 year is RMB5 million, and the amount due in 3–4 years is RMB845 million. Meanwhile, the rest of the accounts receivable are based on the invoice date.

2.4 Bad debt provision

Type	31 December 2021	Increase/Decrease		30 June 2022
		Bad debt provision	Reverse verification	
Accounts receivable	<u>832</u>	<u>65</u>		<u>767</u>

2.5 Accounts receivable written off this period

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

2.6 The condition of accounts receivable of the top five debtors by the balances as of 30 June 2022

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB2,334 million as of 30 June 2022, which accounted for 58.34% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB641 million as of 30 June 2022.

2.7 Accounts receivable derecognized resulting from transfer of financial assets

The Group transferred accounts receivable on a non-recourse basis of RMB708 million and incurred costs related to derecognition of RMB7 million during the period.

3. ACCOUNTS PAYABLE

3.1 Aging of accounts payable

Items	30 June 2022		31 December 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	9,251	98.85	9,860	98.90
1 to 2 years	57	0.61	82	0.82
2 to 3 years	31	0.33	10	0.10
Over 3 years	20	0.21	18	0.18
Total	<u>9,359</u>	<u>100.00</u>	<u>9,970</u>	<u>100.00</u>

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

3.2 Significant account payable aging over 1 year

Creditors	Balance	Aging
Angang Construction Group Co., Ltd.	8	1 to 4 years
Anshan Metallurgical Group Power Engineering Co., Ltd.	5	1 to 5 years
Anshan Metallurgical Group Industrial Engineering Co., Ltd.	5	1 to 5 years
Angang Metal Structure Co., Ltd.	5	1 to 5 years
Anshan Metallurgical Group Construction Engineering Co., Ltd.	4	1 to 5 years
	<hr/>	
Total	<u>27</u>	–

4. UNDISTRIBUTED PROFIT

Items	This period
Balance as of 31 Dec. 2021	12,179
Changes in accounting policies	
Business combination under common control	
Balance as of 1 Jan. 2022	12,179
Increase in 2022	1,716
Including: Net profit transferred this period	1,716
Other adjustment factors	
Decrease in 2022	2,078
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions in this period	
Distribution of cash dividend this period (<i>Note</i>)	2,078
Conversed capital	
Other decreases	
	<hr/>
Balance as of 30 June. 2022	<u>11,817</u>

Note: According to the resolution of the 2021 Annual General Meeting of Shareholders held on May 26, 2022, the Company distributed cash dividends to all shareholders at RMB2.21 (tax included) every 10 shares. Calculated based on the total number of shares entitled to distribution rights of 9,402,611,828 shares, a total distributed profit of RMB2,078 million.

5. OPERATING INCOME AND OPERATING COSTS

5.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	70,105	66,440	71,999	63,407
Other operating	189	173	308	153
Total	<u>70,294</u>	<u>66,613</u>	<u>72,307</u>	<u>63,560</u>

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

5.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	66,837	68,327
Foreign exchange income from outside borders	<u>3,457</u>	<u>3,980</u>
Total	<u>70,294</u>	<u>72,307</u>

5.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	<u>70,294</u>	<u>72,307</u>
Total	<u>70,294</u>	<u>72,307</u>

6. TAX AND SURCHARGES

Items	This period	Last period
City maintenance and construction tax	70	96
Educational surcharge and local educational surcharge	50	69
Land use tax	218	218
Property tax	80	80
Stamp tax	69	61
Resources tax	1	1
Environmental protection tax	54	59
Total	<u>542</u>	<u>584</u>

7. DEPRECIATION AND AMORTIZATION

Items	This period	Last period
Depreciation of fixed assets	1,758	1,832
Amortization of intangible assets	107	97
Depreciation of right-of-use assets	81	66
Total	<u>1,946</u>	<u>1,995</u>

8. FINANCIAL EXPENSES

Items	This period	Last period
Interest expense	225	342
Including: Interests expense from the long-term loans and long-term bonds	108	101
Interests expense from the short-term loans and letters of credit	56	104
Other interest expenditures	61	137
Less: Interest income	37	28
Less: Capitalized interest expense	19	4
Exchange gain or loss	68	(15)
Less: Capitalized exchange gain or loss		
Others	40	22
Total	<u>277</u>	<u>317</u>

9. INCOME TAX EXPENSES

9.1 Income tax expenses

Items	This period	Last period
Income tax during this period	495	1,031
Changes on deferred income tax expenses	<u>(20)</u>	<u>438</u>
Total	<u><u>475</u></u>	<u><u>1,469</u></u>

9.2 The reconciliation between accounting profit and income tax expenses

Items	This period
Total profit	
Income tax expenses calculated at statutory/applicable tax rates	2,206
Effect of different tax rates applied by subsidiary companies	551
Effect of adjustments for income tax for prior period	(3)
Effect of income not subject to tax	(24)
Effect of costs, expenses and loss not deductible for tax purpose	(60)
Effect of deductible loss of deferred income tax assets not recognized in prior periods	
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax income assets	(114)
Changes in the balance of deferred income tax assets/liabilities at the beginning of the period resulting from tax rate adjustments	
Others	<u>125</u>
Income tax expenses	<u><u>475</u></u>

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

Profit in this period	Weighted average (ROE) (%)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	2.84	0.182	0.182
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	<u>2.76</u>	<u>0.177</u>	<u>0.177</u>

11. OPERATING SEGMENT

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 2022	31 December 2021
Investment contracts entered but not yet performed or performed partially	74	1,200
Construction and renovation contracts entered but not yet performed or performed partially	<u>3,431</u>	<u>2,448</u>
Total	<u>3,505</u>	<u>3,648</u>

13. SUBSEQUENT EVENTS

As of the approval date of this report, there are no significant contingencies that need to be disclosed.

14. NET CURRENT ASSETS

Items	30 June 2022	31 December 2021
Current assets	30,714	32,541
Less : Current liabilities	<u>34,673</u>	<u>30,625</u>
Net current assets/(liabilities)	<u><u>(3,959)</u></u>	<u><u>1,916</u></u>

15. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	30 June 2022	31 December 2021
Total assets	96,247	98,652
Less: Current liabilities	<u>34,673</u>	<u>30,625</u>
Total assets less current liabilities	<u><u>61,574</u></u>	<u><u>68,027</u></u>

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

Anshan City, Liaoning Province, the PRC
26 August 2022

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

Executive Directors

Wang Yidong
Xu Shishuai
Wang Baojun
Yang Xu

Independent Non-executive Directors

Feng Changli
Wang Jianhua
Wang Wanglin
Zhu Keshi

* *For identification purposes only*