



重慶鋼鐵股份有限公司

Chongqing Iron & Steel Company Limited

(H Share Stock Code: 1053) (A Share Stock Code: 601005)

2017

**INTERIM
REPORT**

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IMPORTANT NOTICE

- The Board, the Supervisory Committee, and the directors, supervisors and senior management of the Company guarantee the truthfulness, accuracy and completeness of the contents of this interim report, and that there is no false record, misleading statement contained in or material omission from this interim report and collectively and individually accept legal liability.
- All directors of the Company attended the Board meetings.
- The interim report is unaudited.
- Liu Dawei, person-in-charge of the Company, and Tu Deling, person-in-charge of the accounting work, and Zhang Zongming, person-in-charge of the accounting body (head of accounting), hereby declare that: they guarantee the truthfulness, accuracy and completeness of the financial report in the interim report.
- The proposal on profit distribution and the proposal on transferring capital reserve to share capital with provident fund during the reporting period were reviewed and considered by the Board.

During the reporting period, the Company did not distribute profit or transfer capital reserve to share capital with provident fund.

- Risk disclaimer of the forward-looking statements

Applicable Not applicable

The forward-looking statements in this interim report, such as the future plans, are subject to uncertainties and do not constitute the Company's substantive undertakings to investors. Investors should pay attention to investment risks.

- Any appropriation of fund by the controlling shareholder or its related parties for non-operating purpose?

No

- Any provision of external guarantee in violation of the stipulated decision making procedure?

No

- Major Risk Warning

The First Intermediate People's Court of Chongqing ("FIPCC") issued the Civil Ruling Paper ((2017) Yu 01 Po Shen No. 5) to the Company on 3 July 2017. It was ruled that the FIPCC accepted the application of Chongqing Laiquyuan Trading Co., Ltd. for reorganisation of the Company and the liquidation team of Chongqing Iron & Steel was designated as the administrator of the Company. According to Rule 13.2.12 of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (Revised in 2014) ("SSE Shares Listing Rules"), upon application to the Shanghai Stock Exchange, the trading of the A shares of the Company would be suspended from 1 August 2017 due to the reorganisation, until the Court has made the relevant ruling and the Company has applied for resumption of trading of A shares with the Shanghai Stock Exchange according to the specific condition and pursuant to the relevant regulations.

In view of the major uncertainties of the reorganisation of the Company, investors are advised to make prudent decisions and pay attention to the investment risks.

The Company is also facing the following risks:

- The risk of suspension of listing of A shares of the Company

As delisting risk warning was imposed on the A shares of the Company, if the audited net profit of the Company in 2017 or its audited net assets at the end of 2017 is still negative, the Company's A shares will be suspended from the publication date of the 2017 annual report of the Company pursuant to the SSE Shares Listing Rules. The Shanghai Stock Exchange will make a decision on whether to suspend the listing of A shares of the Company within fifteen trading days after the suspension.

If the People's Court does not grant its approval for the reorganisation plan during the period between 3 July 2017 and the publication date of the 2017 annual report of Chongqing Iron & Steel, and the trading of A shares of Chongqing Iron & Steel cannot be resumed, the listing of A shares of Chongqing Iron & Steel will be suspended on the Shanghai Stock Exchange, such that it will be impossible to resume the trading of A shares of Chongqing Iron & Steel and that the stage of suspension of listing will be entered directly.

- The risk of delisting of A shares of the Company

Firstly, if the listing of A shares of the Company is suspended, and the annual report for the first year after the suspension of listing (i.e. 2018) indicates that the lower of the net profit before and after the deduction of the non-recurring profit and loss of the Company is negative, the net assets at the end of the year is negative, the operating income is less than RMB10 million or the auditor issues a qualified audit report or an audit report without opinion or with adverse opinion, or the Company fails to disclose its 2018 annual report within the statutory period, in accordance with the SSE Shares Listing Rules, the A shares of the Company will be delisted.

Secondly, although the Court has ruled that the Company shall commence reorganisation proceedings, the Company is still exposed to the risk of being declared bankrupt due to failure of reorganisation. If the Company is declared to be bankrupt, pursuant to the SSE Shares Listing Rules, the A shares of the Company will be exposed to the risk of delisting.

- Others

Applicable Not applicable

Definitions

Unless the context otherwise requires, the following expressions have the following meanings in this report:

Definitions of common terms

Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
Board	the board of directors of Chongqing Iron & Steel Company Limited
Chongqing Iron & Steel Group, Parent Company, Controlling Shareholder	Chongqing Iron & Steel (Group) Co., Ltd.
Chongqing Securities Regulatory Bureau	Chongqing Securities Regulatory Bureau of China Securities Regulatory Commission
Company, Group, Chongqing Iron & Steel, Chongqing Iron & Steel Company Limited, *ST Chonggang	Chongqing Iron & Steel Company Limited
Company Law	the Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
General Meeting	the general meeting of Chongqing Iron & Steel Company Limited
Reporting Period	From January to June 2017
RMB, RMB'000, RMB0'000	RMB yuan, RMB thousand yuan, RMB ten thousand yuan
Securities Law	the Securities Law of the People's Republic of China
Supervisory Committee	the supervisory committee of Chongqing Iron & Steel Company Limited

Company Profile and Major Financial Indicator

I. COMPANY INFORMATION

Chinese name of the Company	重慶鋼鐵股份有限公司
Chinese abbreviated name of the Company	重鋼股份公司
English name of the Company	Chongqing Iron & Steel Company Limited
English abbreviated name of the Company	CISL
Legal representative of the Company	Liu Dawei

II. CONTACT PERSON AND INFORMATION

	Secretary to the Board	Securities representative
Name	You Xiao An	Peng Guo Ju
Correspondence address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Telephone	86-23-6887 3311	86-23-6898 3482
Fax	86-23-6887 3189	86-23-6887 3189
E-mail	yxa@email.cqgt.cn	clarapeng@email.cqgt.cn

III. CHANGES IN BASIC INFORMATION

Registered address of the Company	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Postal code of the registered address of the Company	401258
Office address of the Company	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Postal code of office address of the Company	401258
Company website	http://www.cqgt.cn
E-mail address	clarapeng@email.cqgt.cn

Company Profile and Major Financial Indicator (Continued)

IV. CHANGE IN DISCLOSURE OF INFORMATION AND PLACE FOR INSPECTION

Name of newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for posting interim reports	http://www.sse.com.cn , http://www.hkex.com.hk
Place for inspection of interim reports	Secretariat of the Board of the Company

V. STOCK PROFILE

Classification of stock	Listing stock exchange	Abbreviated name	Stock code	Stock name before change
A share	Shanghai Stock Exchange	*ST Chonggang	601005	/
H share	The Stock Exchange of Hong Kong Limited	Chongqing Iron	1053	/

VI. OTHER RELATED INFORMATION

Applicable Not applicable

Accounting firm engaged by the Company (domestic)	Name	Pan-China Certified Public Accountants LLP
	Office address	F3, Suite 2-B, Fortune Central Park, 13 Fortune Avenue, North New District, Chongqing
	Name of accountants signing-off the report	Zhang Kai, Huang Qiaomei
Accounting firm engaged by the Company (overseas)	Name	Pan-China Certified Public Accountants LLP
	Office address	F3, Suite 2-B, Fortune Central Park, 13 Fortune Avenue, North New District, Chongqing
	Name of accountants signing-off the report	Zhang Kai, Huang Qiaomei

Company Profile and Major Financial Indicator (Continued)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

Unit: RMB'000

Key accounting data	This reporting period (January to June)	Same period last year	Change from the same period of last year to this reporting period (%)
Operating income	4,521,727	2,789,412	62.10%
Net profit attributable to shareholders of the Company	-998,482	-1,790,343	44.23%
Net profit attributable to shareholders of the Company after extraordinary gains and losses	-1,004,337	-1,907,505	47.35%
Net cash flow generated from operating activities	-82,023	-456,961	82.05%

	At the end of the reporting period	At the end of last year	Change from the end of last year to the end of the reporting period (%)
Net assets attributable to shareholders of the Company	-1,190,468	-200,494	-493.77%
Total assets	36,506,273	36,438,454	0.19%

Company Profile and Major Financial Indicator (Continued)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (CONTINUED)

(II) Key Financial Indicators

Key financial indicators	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this reporting period (%)
Basic earnings per share (RMB per share)	-0.23	-0.4	42.50%
Diluted earnings per share (RMB per share)	-0.23	-0.4	42.50%
Basic earnings per share after extraordinary gains and losses (RMB per share)	-0.23	-0.43	46.51%
Weighted average return on net assets (%)	N/A	-57.87	
percentage points weighted average return on net assets after extraordinary gains and losses (%)	N/A	-61.65	

Explanation on the major financial data and financial indicators

Applicable Not applicable

VIII. DIFFERENCE IN ACCOUNTING DATA BETWEEN THE PRC ACCOUNTING STANDARDS AND OVERSEAS ACCOUNTING STANDARDS

Applicable Not applicable

Company Profile and Major Financial Indicator (Continued)

IX. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS

Applicable Not applicable

Unit: RMB'000

Non-recurring profit and loss items	Amount
Gains or losses on disposal of non-current assets	6
Government grants included in the profit or loss for the period (except for those closely related to the ordinary businesses of the Company, in compliance with the requirements under the State's policies, and continuously entitled to quantitative or qualitative government grants according to certain standards)	6,286
Other non-operating income and expenses apart from the above-mentioned	-437
Total	5,855

X. OTHERS

Applicable Not applicable

Company Business Summary

I. MAIN BUSINESS, OPERATIONAL MODE OF THE COMPANY AND EXPLANATION ON INDUSTRY SITUATION DURING THE REPORTING PERIOD

The Company's main business: Production, processing and sales of sheets, profiles, wires, rods, billets and thin plates; production and sale of coking and coal chemical products, pig iron & grain slag, steel slag, and steel scrap.

Operational mode: For the sale of steel products of the Company, the purchase orders were mainly secured through the sales department of a commercial trading company connecting nearby markets in Southwest China. Upon signing of the sale contracts, the Company formulated production plans and conducted product marketing activities based on sale-driven production. Forward sale was generally adopted for the main products by way of the scheduled contracts and the pricing policies were based on pre-determined price or settlement afterwards. The non-planned products, utilized products, scrap materials and other by-products derived from the production were mainly sold through auction or as a package.

Explanation on industry situation: In the first half of the year, the domestic price of steel products has been higher and lower showing a volatile trend. The price of steel products rose slightly during January to mid-March, then consolidated during late March to April with a sharp drop, after that it rebounded slightly during May to June, with domestic steel products price composite index finally stood at 101.03 at the end of June, representing an increase of 1.77% as compared to that at the end of May, 48.95% as compared to that at the end of June last year, and 1.53% as compared to that at the end of December last year.

II. EXPLANATION ON SUBSTANTIAL CHANGES OF MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

Company Business Summary (Continued)

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

1. Its environmental relocation was officially approved by the National Development and Reform Commission and was included amongst the third batch of recycling economy pilot enterprises by the National Development and Reform Commission. It passed the environmental assessment and acceptance of the Ministry of Environmental Protection upon commencement of operation.
2. It was one of the industry leaders in energy-saving and emission-reduction as its environmental indicators (including SO₂, chemical oxygen demand, smoke and dust emission) as well as emission-reduction indicators (including coal gas emission of coke furnaces or blast furnaces, fresh water consumption per tonne) reached advanced level in the industry, with more than 70% of power generated by itself.
3. Technologies such as the “one molten iron tank” in the steel making techno-interface method, dry-type vacuum metallurgical technology (乾式真空冶金技術) and the distributed residue heat power generation technology were widely acclaimed in the industry and its innovative achievements with proprietary intellectual property rights were widely recognized and rapidly spread.
4. Its innovation platforms and mechanisms were continuously improved, while the combination of the industry, university, research and application was further pressed ahead. With product structure being continuously upgraded, progresses were made in market exploration, production and research and development of the high strength shipbuilding steel, oriented silicon steel and other high value-added products.
5. It basically achieved the conditions required for the modern steel plant, namely “modern process, cohesive procedure, large-scale equipment, recycling resources and efficient energy-saving and emission-reduction”. Its principal working procedures were equipped with domestic first-class processes and equipment.
6. It owned conspicuous brand advantages and its product quality was traditionally advanced, with brand value and cultural connotation continuously extended and customers’ recognition and brand loyalty continuously enhanced.

Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company actively seized market opportunities in full compliance of the overall plan of reform and overcoming difficulties. Through the cooperation with Chongqing Qianxin International Trade Co., Ltd., condition of raw materials supply had been improved, normal production and operation was resumed gradually, and the production volume, sales income and efficiency had been improved significantly on a year-on-year basis. In the first half of the year, outputs of coke, iron, steel and steel products were all higher than those of the same period last year; the revenue stood at RMB4.521 billion, up 62.1% as compared with the same period last year; net profit attributable to shareholders of the Company improved remarkably as compared with the same period last year, with a loss reduction rate amounting to 44.23%.

Main work that the Company carried out in the first half of the year:

1. Production organization was optimized and scale was enhanced gradually. The Company tightly grasped market opportunities, provided good equipment support and strengthened the coordination of supply, production and marketing. Since May, the two blast furnaces in the New District basically had operated stably, with a gradually increasing production scale.
2. Systematic costs reduction was promoted with the target to lower costs and enhance efficiency. The Company continued to press forward with the "ten cost reduction and efficiency enhancement" measures, appointed responsible organizations, refined work measures, comprehensively improved various technical and economic indicators, striving to reduce process cost and strictly control expenses.
3. Product mix was adjusted to seize the regional market. The Company positioned itself based on the demands of regional market, insisted on the efficiency-oriented principle, actively adjusted the production line and product mix, restored the production line of rod and resumed the production of high-rise building steel and bridge steel in succession. More than 90% of these products were put in the regional market.
4. Market principles were adhered to and reform implementation was initiated. The Company further improved the corporate governance structure, made a clear list of rights and liabilities and upgraded management and control model. In addition, the Company promoted the two-level institutional reform and implemented institution and mechanism reforms to stimulate the overall vitality according to the task list at an accelerating speed.

Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Main working plan for the Company in the second half of the year:

1. Judicial reorganisation will be advanced actively to seek both temporary and permanent solutions to reduce debts and liabilities. The Company will strive for the support of relevant departments, financial creditors and operational creditors, actively optimize the programme to propel the implementation of reorganisation plan and comprehensively improve assets, liabilities and capital structures.
2. Arrears will be offset in a targeted manner with a view to stop losses and overcome the hard time by reducing cost and enhancing efficiency. The Company will firmly grasp the opportunities of market recovery and elimination of backward production capacity, focus on the enhancement of economic operation scale and ensure the stable operation of safe production.
3. Product mix restructuring will be accelerated in order to actively increase the regional market share. The Company will focus on the recovery of long material system, which is marked by the recovery of the production of the 4# Blast Furnace, and comprehensively improve the proportion of building materials; the Company will also actively adjust the structures of varieties such as 1780 Hot Rolling and 4100 Cut Deal and improve the cost performance, technical content and added value of its products.
4. Reform will be comprehensively deepened and internal dynamism will be strengthened. The Company will establish and improve an internal marketized operation mechanism, deepen the reform of “three systems” (三項制度), establish the overall staff performance evaluation mechanism and a marketized compensation incentive systems and continue to promote the optimization of labor organizations to improve the productivity of all staff.
5. Management will be strengthened in a practical manner and capability of implementation will be enhanced. The Company will attach great importance to implementation, comprehensively facilitate its management and conduct corporate governance stringently.

Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Main business analysis

1. Analysis of changes in certain items from financial statements

Unit: '000 Currency: RMB

Subject	For the period	For the corresponding period last year	Change (%)
Operating income	4,521,727	2,789,412	62.10%
Operating cost	4,412,817	3,432,699	28.55%
Selling expenses	23,681	105,105	-77.47%
Administrative expenses	532,656	601,693	-11.47%
Financial expenses	515,559	543,734	-5.18%
Net cash flow from operating activities	-82,023	-456,961	82.05%
Net cash flow from investing activities	-17,868	-141,630	87.38%
Net cash flow from financing activities	109,566	799,331	-86.29%
R&D spending	126,312	187,000	-32.45%

Change in operating income was attributable to the significant growth in the production, sales and selling price of steel products of the Company as compared to the corresponding period last year.

Change in operating cost was attributable to expansion of the production of steel products and sales and increase in purchasing cost of raw fuel.

Change in selling expenses was attributable to the change of the selling model of steel products of the Company.

Change in net cash flow from operating activities was attributable to the decrease in losses, enhancement of fund planning and management and determination of expenses based on incomes.

Change in net cash flow from investing activities was attributable to decrease in payment for constructions.

Change in net cash flow from financing activities was attributable to increase in financial borrowings in the corresponding period last year.

Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Main business analysis (Continued)

2. Others

(1) Detailed notes to the major changes in the Company's profits structure or profits sources

Applicable Not applicable

In the first half of 2017, the Group realized operating income of RMB4,521.727 million, with a year-on-year increase of 62.1%; it incurred operating cost of RMB4,412.817 million, with a year-on-year increase of 28.55%; and it recorded gross profit of RMB-998.821 million, representing a year-on-year decrease of 44.21% in loss.

Type	First half of 2017		First half of 2016		Year-on-year growth (%)
	Amount (RMB '000)	Percentage (%)	Amount (RMB '000)	Percentage (%)	
Plate products	734,615	16.29	892,319	32.13	-17.67
Hot rolled coil	2,980,277	66.07	1,497,222	53.90	99.05
Rod products	207,770	4.61	329	0.01	Incomparable
Steel billets		0.00	34,689	1.25	Incomparable
Sub-total of the sale of rolled steel billet	3,922,662	86.97	2,424,559	87.29	61.79
OEM business	164,340	3.64	137,729	4.96	19.32
Others	423,685	9.39	215,248	7.75	96.84
Total	4,510,687	100.00	2,777,536	100.00	62.40

Item	First half of 2017 RMB/ton	First half of 2016 RMB/ton	Year-on-year Growth (%)	Revenue increase (RMB'000)
Plate products	2,976	2,695	10.43	69,351
Hot rolled coil	2,993	1,995	50.03	993,808
Rod products	3,297	1,453	Incomparable	
Steel billets		1,727	Incomparable	
Total	3,004	2,200	36.55	1,063,159

Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Principal operations analysis (Continued)

2. Others (Continued)

(1) Detailed notes to the major changes in the Company's profits structure or profits sources (Continued)

Item	First half of 2017 (Ton 0'000)	First half of 2016 (Ton 0'000)	Year-on-year Growth (%)	Revenue increase (RMB'000)
Plate products	24.68	33.12	-25.48	-227,381
Hot rolled coil	99.58	75.04	32.70	489,573
Rod products	6.30	0.02	Incomparable	207,441
Steel billets		2.01	Incomparable	-34,689
Total	130.56	110.19	18.49	434,944

The Group recorded a reduction in loss of RMB791.510 million in the first half of the year as compared with the corresponding period last year, which was mainly attributable to:

- ① The principal operations realized gross profit of RMB101,227 thousands, representing a year-on-year increase of RMB752,048 thousands, mainly due to the significant increase in selling price of steel products, enhancement of cost control, mass production, improvement on technical and economic indicators and the decrease of processing cost.
- ② The Group incurred expenses for the period in the amount of RMB1,071,896 thousands, representing a year-on-year decrease by RMB178,636 thousands, mainly attributable to: firstly, the selling expenses decreasing by RMB81,424 thousands year-on-year; secondly, management expenses reducing by RMB69,037 thousands as the production line of the rod products resumed operation and loss arising from the production suspension reduced; thirdly, financial expenses reducing by RMB28,175 thousands year-on-year.

Item	Amount for the current period	Amount for the last period	Percentage change in the amount for the current period as compared with that of the last period (%)
Selling expenses	23,681	105,105	-77.47
Management expenses	532,656	601,693	-11.47
Financial expenses	515,559	543,734	-5.18

Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Principal operations analysis (Continued)

2. Others (Continued)

(1) Detailed notes to the major changes in the Company's profits structure or profits sources (Continued)

- ③ The Group realized non-operating income of RMB95 thousands, representing a year-on-year decrease of RMB117,074 thousands, which is mainly due to the receipt of subsidies from the government in the corresponding period last year.

(2) Others

Applicable Not applicable

Principal operations by industry and product:

Principal operations by industry

By industry	Income from principal operations	Costs of principal operations	Gross profit margin (%)	Change in operating income from last year (%)	Change in operating costs from last year (%)	Change in gross profit margin from last year (%)
Iron and steel	4,510,687	4,409,460	2.24	62.40	28.62	25.67

Principal operations by product

By product	Income from principal operations	Costs of principal operations	Gross profit margin (%)	Change in operating income from last year (%)	Change in operating costs from last year (%)	Change in gross profit margin from last year (%)
Sub-total of the sale of rolled steel billet	3,922,662	3,841,262	2.08	61.79	31.01	23.01
Processing on order	164,340	204,975	-24.73	19.32	-28.15	82.39
Others	423,685	363,223	14.27	96.84	72.17	12.28

Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Explanation on material change in profit due to non-principal operations

Applicable Not applicable

(III) Analysis of assets and liabilities

Applicable Not applicable

(IV) Investment Analysis

1. *General analysis of foreign equity investment*

Applicable Not applicable

(1) *Significant Equity Investment*

Applicable Not applicable

(2) *Significant Non-Equity Investment*

Applicable Not applicable

(3) *Financial Assets Measured at Fair Value*

Applicable Not applicable

(V) Major Assets and Equity Disposal

Applicable Not applicable

Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(VI) Analysis of major controlled companies and investees

Applicable Not applicable

Name of subsidiary	Principal place of business	Place of registration	Business nature	Shareholdings	Acquisition method
Jingjiang San Feng Steel Processing & Distribution Company Limited (靖江三峰鋼材加工配送有限公司)	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Steel processing and distribution industry	72.86%	Establishment by capital contribution
Jingjiang Chongqing Iron & Steel East China Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Trading	100%	Establishment by capital contribution
Guizhou Chonggang Sales Co., Ltd. (貴州重鋼鋼鐵銷售有限責任公司)	Guiyang, Guizhou Province	Guiyang, Guizhou Province	Trading	100%	Establishment by capital contribution
Chonggang Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Trading	100%	Establishment by capital contribution
CISL High-Strength Cold-Rolled Steel Plate Ltd. (重慶重鋼高強冷軋板材有限公司)	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing	90%	Establishment by capital contribution

(VII) Structured entities under the control of the Company

Applicable Not applicable

Management Discussion and Analysis (Continued)

II. OTHER DISCLOSURE

- (I) Warning and description of a forecast of recording a loss-making aggregate net profit from the beginning of the year to the end of next reporting period or recording a substantial year-on-year change

Applicable Not applicable

- (II) Potential risks

Applicable Not applicable

1. *The risk of suspension of listing of A shares of the Company*

A delisting risk warning has been imposed on the Company's A shares, stating that the Company's A shares would be suspended from trading since the date of the 2017 annual report being published according to the SSE Shares Listing Rules on the occasion that the Company recorded negative audited net profit in 2017 or negative audited net assets at the end of 2017, and the Shanghai Stock Exchange would decide whether the Company's A shares would be suspended from listing within 15 trading days from the suspension of trading.

If the People's Court does not grant its approval for the reorganisation plan during the period between 3 July 2017 and the publication date of the 2017 annual report of Chongqing Iron & Steel, and the trading of A shares of Chongqing Iron & Steel cannot be resumed, the listing of A shares of Chongqing Iron & Steel will be suspended on the Shanghai Stock Exchange, such that it will be impossible to resume the trading of A shares of Chongqing Iron & Steel and that the stage of suspension of listing will be entered directly.

2. *The risk of delisting of A shares of the Company*

Firstly, if the listing of A shares of the Company is suspended, and the annual report for the first year after the suspension of listing (i.e. 2018) indicates that the lower of the net profit before and after the deduction of the non-recurring profit and loss of the Company is negative, the net assets at the end of the year is negative, the operating income is less than RMB10 million or the auditor issues a qualified audit report or an audit report without opinion or with adverse opinion, or the Company fails to disclose its 2018 annual report within the statutory period, in accordance with the SSE Shares Listing Rules, the A shares of the Company will be delisted.

Secondly, although the Court has ruled that the Company shall commence reorganisation proceedings, the Company is still exposed to the risk of being declared bankrupt due to failure of reorganisation. If the Company is declared to be bankrupt, pursuant to the SSE Shares Listing Rules, the A shares of the Company will be exposed to the risk of delisting.

Management Discussion and Analysis (Continued)

II. OTHER DISCLOSURE (CONTINUED)

(III) Other disclosure

Applicable Not applicable

Significant Events

I. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions
2016 Annual General Meeting	15 June 2017	Announcement of Results of 2016 Annual General Meeting (2017-057) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily	16 June 2017

Explanation on shareholders' meeting:

Applicable Not applicable

The 2016 Annual General Meeting of the Company was convened by the Board of the Company and presided by the Chairman Mr. Liu Da Wei. The convening of and the procedures for holding the meeting and the voting procedures at the meeting were in compliance with the relevant requirements of the Company Law and other laws and regulations as well as the Articles of Association. All the resolutions were considered and approved at this meeting.

II. SCHEME FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(I) Interim proposals on profit distribution and the proposal on transferring capital reserve to share capital with provident fund

Profit distribution and transfer of capital reserve to share capital with provident fund No

Significant Events (Continued)

III. COMPLIANCE WITH UNDERTAKINGS

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the reporting period

Applicable Not applicable

Background	Type	Commitment party	Commitment Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment in relation to material assets reorganisation	To solve the horizontal Competition	Chongqing Iron & Steel Group	<p>(1) The Company and enterprises controlled or invested in by the Company do not have, and will not be engaged in by any means (including but not limited to investment, acquisition, joint venture, joint operation, contracting, operation under lease arrangement or any other way of having stakes or interests) at any place in or outside China after the Reorganisation, any business that competes or may compete, directly or indirectly, with the principal activities of the Chongqing Iron & Steel.</p> <p>(2) If the Company or enterprises controlled or invested in by the Company are engaged in, involved in or invest in any business or projects that compete or may compete, directly or indirectly, with the principal activities of Chongqing Iron & Steel, the Company is entitled to require the Company to terminate the competing business and stop investing in related enterprises or projects, and has the right of first refusal over the related business assets, investment return or project assets.</p> <p>(3) The above undertakings shall be effective as long as the Company remains the controlling shareholder or de facto controller of the Company. The Company will be willing to take responsibility for relevant damages should Chongqing Iron & Steel suffer any loss of interests due to the Company's violation of the aforesaid undertakings.</p>	3 May 2012	No	Yes
	To solve the related party transactions	Chongqing Iron & Steel Group	<p>(1) To ensure that the Company shall have independent business, complete assets, independent and complete production, supply and sales, and other auxiliary systems, to prevent and reduce unnecessary connected transactions;</p> <p>(2) To determine the transaction price and enter into connected transaction contracts according to law and in strict accordance with the principle of openness, fairness and impartiality and by reference to prevailing market standards with respect to the unavoidable connected transactions;</p> <p>(3) To follow procedures of having the connected shareholders and connected Directors to abstain from voting and the independent Directors to express opinions on connected transactions in strict accordance with the Articles of Association and relevant regulations of regulatory authorities, and to ensure that the procedures for connected transactions are legal and the results of connected transactions are fair and reasonable;</p> <p>(4) To strictly comply with the rules on information disclosure regarding connected transactions.</p>	3 May 2012	No	Yes

Significant Events (Continued)

III. COMPLIANCE WITH UNDERTAKINGS (CONTINUED)

(I) Commitment of de facto controller, Shareholders, related parties, acquirer and the Company during or sustained to the Reporting period (Continued)

Background	Type	Commitment party	Commitment Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
	Release of liabilities	Chongqing Iron & Steel Group	<p>(1) If creditors who have not returned their reply slips agreeing the relevant creditors' rights and liabilities to be generally assumed by the Company before the completion of the Material Assets Reorganisation and would claim their rights against the Parent Company after the completion of the Material Assets Reorganisation, the Parent Company will send the written notices to the Company within 2 days after receiving the notices from the creditors claiming their rights, and will refer the aforesaid claims to the Company. If the above creditors do not agree to transfer their rights and liabilities to the Company, the Parent Company will inform the Company by written notice and assist in handling the transfer. Under this premise, the Company can choose to settle its debts directly with creditors or through the Parent Company. If the above creditors request the Parent Company's guarantee, the Parent Company would provide guarantee to them.</p> <p>(2) If the Company faces any liabilities or loss in the course of generally assuming creditors' rights and liabilities during the Material Assets Reorganisation, the Parent Company will make full compensation to the Company within 5 working days after receiving the Company's written notice and the proof for relevant liabilities.</p>	From 22 October 2012 to the date on which relevant creditors claim their rights	Yes	Yes
Commitment regarding the initial public issuance	To solve the related party transactions	Chongqing Iron & Steel Group	As long as the Company's shares remained listed on any stock exchange in PRC or Hong Kong, and the Parent Company held 30% or more in issued shares or be deemed to be a controlling shareholder under the requirements on relevant stock exchanges or laws, the Parent Company and its subsidiaries or companies directly or indirectly invested or controlled by the Parent Company will not participate in any business or activity that constituted or may constitute competition with reorganised business in PRC or overseas, or in any other ways (including but not limited to separate operation, joint venture or held shares or other interests in another company or corporate).	2 September 1997	No	Yes

Significant Events (Continued)

III. COMPLIANCE WITH UNDERTAKINGS (CONTINUED)

(I) Commitment of de facto controller, Shareholders, related parties, acquirer and the Company during or sustained to the Reporting period (Continued)

Background	Type	Commitment party	Commitment Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Other commitments to minority shareholders	Dividend	The Company	<p>(1) The Company shall implement a proactive profit distribution mechanism to ensure that investors receive reasonable returns.</p> <p>(2) The Company shall distribute its dividend by way of cash or a combination of cash and shares, and allow for interim distribution in light of its capital requirements. Subject to the satisfaction of capital requirement for normal production and operation of the Company, in the absence of (amongst others) material investment plan or the occurrence of significant cash expenditure, the profit distributed by way of cash by the Company each year shall be no less than 10% of the distributable profit realized during the year, and shall follow the principle that the profit distributed cumulatively by way of cash in any three consecutive years shall not fall below 30% of the average annual distributable profit realized during the last three years.</p> <p>(3) The Board of the Company shall put forth an annual profit distribution plan at the end of each financial year and submit the same to the general meeting for approval. If the Board of the Company does not propose a cash dividends distribution plan although profit is recorded, it shall explain in details in the annual report the specific reasons thereof and the purpose for the retained earnings. Independent Directors shall express and publicly disclose their independent opinions thereon.</p> <p>(4) Upon occurrence of any illegal appropriation of the Company's funds by shareholders, the Company shall deduct the cash dividend to be paid to such shareholders to make up for the appropriated funds.</p>	30 August 2012	No	Yes

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Explanations for appointment and removal of accounting firms

Applicable Not applicable

The Board proposed to re-appoint Pan-China Certified Public Accountants (Special General Partnership) as the Company's auditor for financial and internal control in 2017 for a term of one year, with its remuneration for 2017 determined based on the actual remuneration in 2016, and to delegate one director to determine its remuneration for 2017 and to enter into the service contract. The above resolution was transacted and approved at the ninth meeting of the seventh session of the Board and the 2016 Annual General Meeting.

Significant Events (Continued)

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS (CONTINUED)

Explanations for change of the accounting firm during the auditing period

Applicable Not applicable

Explanation for the “Non-Standard Audit Report” Issued by the Accounting Firm

Applicable Not applicable

Explanation for the “Non-Standard Audit Report” Issued by the Certified Public Accountant in respect of the Financial Report in the Annual Report for the Previous Year

Applicable Not applicable

V. MATTERS RELATING TO INSOLVENCY OR REORGANISATION

Applicable Not applicable

On 24 April 2017, the Company received a Notice from Chongqing Laiquyuan Trading Co., Ltd. (referred as “Laiquyuan Company”). The Notice sets out the application by Laiquyuan Company to the First Intermediate People’s Court of Chongqing (referred as the “FIPCC”) for reorganisation of the Company on the ground that the Company is unable to repay the due debts and its assets are insufficient for the repayment of all its debts.

The FIPCC issued the Civil Ruling Paper ((2017) Yu 01 Po Shen No. 5) and Ruling Paper ((2017) Yu 01 Po No. 3) to the Company on 3 July 2017. It was ruled in the Civil Ruling Paper that the FIPCC accepted the application of Laiquyuan Company for reorganisation of the Company and the liquidation team of Chongqing Iron & Steel Company Limited was designated as the administrator of the Company in the Ruling Paper.

According to Rule 13.2.12 of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (Revised in 2014), upon application to the Shanghai Stock Exchange, the trading of A shares of the Company has been suspended from 1 August 2017 due to the reorganisation, until the Court has made the relevant rulings and the Company has applied for resumption of trading of A shares with the Shanghai Stock Exchange according to the specific condition and pursuant to the relevant regulations.

Chongqing Iron & Steel held its first creditors’ meeting on 18 August 2017 in the form of online meeting through the “Information Website of National Bankrupt Enterprises Recombinational Cases” (全國企業破產重整案件信息網) (<http://pccz.court.gov.cn>), at which the Plan for Management and Realisation of Property (財產管理及變價方案) and the Resolution on Matters regarding the Establishment of Creditors’ Committee (成立債權人委員會相關事項的議案) were approved.

Significant Events (Continued)

VI. MATERIAL LITIGATION AND ARBITRATION

- Material litigations and arbitrations occurs during the reporting period No material litigations and arbitrations occurs during the reporting period

(I) Litigation and arbitration which have been disclosed in announcement without subsequent progress

- Applicable Not applicable

Overview and Category of events

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Litigation between the Company and Chongqing USUM Recycling Resources Development Ltd. (重慶渝商再生資源開發有限公司) for dispute over purchase and sale contract involving a total value of RMB89,841,985.21 and quality guarantee deposit of RMB6,050,000.

Material Litigation Announcement (No. 2017-046) was published on the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>), and in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 10 May 2017

Litigation between the Company and Chongqing Hesheng Huibang Assets Management Co., Ltd. (重慶市和勝匯邦資產管理有限公司) for dispute over purchase and sale contract involving a total value of RMB32,570,520.17 for buying and selling coal.

Material Litigation Announcement (No. 2017-056) was published on the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>), and in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 15 June 2017

Litigation between the Company and Chongqing Guohao Construction Co., Ltd. (重慶國豪建設有限公司) for dispute over construction work contract involving a total value of RMB15,000,000.

Material Litigation Announcement (No. 2017-060) was published on the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>), and in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 28 June 2017

Litigation between the Company and Sinosteel Deyuan Mineral Products Co., Ltd. (中鋼德遠礦產品有限公司) for dispute over purchase and sale contract involving a total value of RMB56,735,514.31.

Material Litigation Announcement (No. 2017-063) was published on the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>), and in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 15 July 2017

Significant Events (Continued)

VI. MATERIAL LITIGATION AND ARBITRATION (CONTINUED)

(II) Litigation and arbitration which have not been disclosed in announcement or might have had subsequent progress

Applicable Not applicable

Unit: 0'000 Currency: RMB

During the reporting period:

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Chongqing Linda Construction Services Limited (重慶市林達建築勞務有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over construction work contract	35.513868	None	Being processed	Unknown	
Chongqing Power Transmission Engineering Co., Ltd (重慶市送變電工程有限公司)	Chongqing Iron & Steel Company Limited		Arbitration	Dispute over construction work contract	962.668611	None	Being processed	Unknown	
Qinhuangdao Shougang Changbai Mold Co., Ltd. (秦皇島首鋼長白結晶器有限責任公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	136.9866	None	Being processed	Unknown	
Chongqing Zhongao Intelligent Information Technology Co., Ltd (重慶中奧智能信息技術有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	101.7503	Yes	Judgement was made, under procedure of execution	Overdue interest of RMB191,623, litigation fee of RMB7,803 and actual execution fee	Being implemented
Jilin Carbon Limited (吉林炭素有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Note dispute	80	None	Being processed in court of second instance	Unknown	
Shijiazhuang Jingxing County Xinfeng Metallurgical Co., Ltd (石家莊市井陘縣鑫峰冶礦有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Note dispute	200	Yes	Judgement was made	Interest accrued from 20 May 2015 to the settlement date on the basis of RMB2,000,000 at an interest rate equal to the prevailing loan interest rate of the PBoC and litigation fee of RMB11,400	

Significant Events (Continued)

VI. MATERIAL LITIGATION AND ARBITRATION (CONTINUED)

(II) Litigation and arbitration which have not been disclosed in announcement or might have had subsequent progress (Continued)

Unit: 0'000 Currency: RMB

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Shen Junjie (沈俊傑)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	28.701605	None	Being processed	Unknown	
Qiqihar Dongfang Yuteng Electric Co., Ltd (齊齊哈爾東方裕豐電氣有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over claim for payment of notes	40	None	Being processed	Unknown	
Hunan Jinlong Manganese Limited (湖南金龍錳業有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	133.312535	None	Being processed	Unknown	
Sinosteel Group Tiancheng Environmental Protection Technology Co., Ltd (中鋼集團天澄環保科技股份有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	31	Yes	Judgement was made	Interest accrued from 1 February 2014 to the settlement date on the basis of the loss of RMB310,000 incurred from overdue payment at an interest rate equal to the prevailing loan benchmark rate of the PBoC and litigation fee of RMB4,468	
Taiyuan Heavy Industry Co., Ltd (太原重工股份有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	1,214.7	Yes	Being processed in court of second instance	Unknown	
Taiyuan Heavy Industry Co., Ltd (太原重工股份有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	76	Yes	Judgement was made	litigation fee of RMB5,700 payable	
Taiyuan Heavy Industry Co., Ltd (太原重工股份有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	879.6753	Yes	Judgement was made	litigation fee of RMB36,689 payable	
Siyuan Electric Co., Ltd. (思源電氣股份有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	11	Yes	Judgement was made	Interest for overdue payment accrued from 11 October 2016 to the settlement date on the basis of RMB110,000 at an interest rate equal to the prevailing loan interest rate of the PBoC and litigation fee of RMB1,349	

Significant Events (Continued)

VI. MATERIAL LITIGATION AND ARBITRATION (CONTINUED)

(II) Litigation and arbitration which have not been disclosed in announcement or might have had subsequent progress (Continued)

Unit: 0'000 Currency: RMB

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Chongqing Blasting project construction company (重慶市爆破工程建設有限責任公司)	Chongqing Iron & Steel Company Limited		Arbitration	Dispute over construction work contract	1,637.269633	None	Being processed	Unknown	
Sichuan Chenyu Property Management Limited (四川農宇物業管理有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over property management service contract	11.017393	None	Being processed	Unknown	
Henan Wanbao Industrial Development Company Limited (河南萬寶實業發展有限公司)	Chongqing Iron & Steel Company Limited	Chongqing Industrial Co., Ltd (重慶馳原實業有限公司)	Litigation	Dispute over purchase and sale contract	530	None	Being processed	Unknown	
Anhui Huaxing Cable Group Limited (安徽華星電纜集團有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	264.1224	None	Being processed	Unknown	
Sichuan Guotuo Property Management Limited (四川省國託物業管理有限責任公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over property management service contract	0.65274	None	Being processed	Unknown	
Chongqing Super Precision Electromechanical Technology Co., Ltd (重慶超精機電技術有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	8.68	None	Being processed	Unknown	
Chongqing Resistant Pump Co., Ltd. (重慶大耐泵業有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	117.0865	None	Being processed	Unknown	
Changjiang Waterway Bureau (長江航道局)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over construction work contract	630.71954	None	Being processed	Unknown	

Significant Events (Continued)

VI. MATERIAL LITIGATION AND ARBITRATION (CONTINUED)

(II) Litigation and arbitration which have not been disclosed in announcement or might have had subsequent progress (Continued)

Unit: 0'000 Currency: RMB

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Changjiang Chongqing Waterway Engineering Bureau (長江重慶航運工程局)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over construction work contract	880.451434	None	Being processed	Unknown	
Chongqing Chuanwei Jian'an Engineering Co., Ltd (重慶川維建安工程有限公司)	Chongqing Iron & Steel Company Limited		Arbitration	Dispute over construction work contract	142	None	Being processed	Unknown	
Chongqing Chuanwei Jian'an Engineering Co., Ltd (重慶川維建安工程有限公司)	Chongqing Iron & Steel Company Limited		Arbitration	Dispute over construction work contract	316.67	None	Being processed	Unknown	
Gejia Trade (Shanghai) Co. Ltd. (裕嘉貿易(上海)有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	111.594069		Being processed	Unknown	
Chongqing Chuanwei Jian'an Engineering Co., Ltd (重慶川維建安工程有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Execute the contract disputes	163.382428		Being processed	Unknown	
Chongqing Chuanwei Jian'an Engineering Co., Ltd (重慶川維建安工程有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Execute the contract disputes	435.51		Being processed	Unknown	
Montnets Rongxin Technology Group Co., Ltd (夢網榮信科技集團股份有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	103.6495		Being processed	Unknown	
Montnets Rongxin Technology Group Co., Ltd (夢網榮信科技集團股份有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	35.32083		Being processed	Unknown	

Significant Events (Continued)

VI. MATERIAL LITIGATION AND ARBITRATION (CONTINUED)

(II) Litigation and arbitration which have not been disclosed in announcement or might have had subsequent progress (Continued)

Unit: 0'000 Currency: RMB

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Guangzhou Wanbao Trading Company (廣州萬寶貿易有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	613.73092		Being processed	Unknown	
Beijing Haipeng Jiaye Trading Center (北京海騰嘉業商貿中心)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over claim for payment of notes	290		Being processed	Unknown	
Inner Mongolia Dongye Engineering Equipment Co., Ltd. (內蒙古東業工程設備有限責任公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	0.9		Being processed	Unknown	
Inner Mongolia Dongye Engineering Equipment Co., Ltd. (內蒙古東業工程設備有限責任公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	1		Being processed	Unknown	
Inner Mongolia Dongye Engineering Equipment Co., Ltd. (內蒙古東業工程設備有限責任公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	3.9		Being processed	Unknown	
Inner Mongolia Dongye Engineering Equipment Co., Ltd. (內蒙古東業工程設備有限責任公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	3.9		Being processed	Unknown	
Inner Mongolia Dongye Engineering Equipment Co., Ltd. (內蒙古東業工程設備有限責任公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	4.4		Being processed	Unknown	

Significant Events (Continued)

VI. MATERIAL LITIGATION AND ARBITRATION (CONTINUED)

(II) Litigation and arbitration which have not been disclosed in announcement or might have had subsequent progress (Continued)

Unit: 0'000 Currency: RMB

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Inner Mongolia Dongye Engineering Equipment Co., Ltd. (內蒙古東業工程設備有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	8		Being processed	Unknown	
China 19th Metallurgical Corporation	Chongqing Iron & Steel Company Limited		Arbitration	Dispute over construction work contract	25.74		Being processed	Unknown	
Inner Mongolia Dongye Engineering Equipment Co., Ltd. (內蒙古東業工程設備有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over maintenance Contract	947.981356		Being processed	Unknown	
Chongqing Jiulong Rubber Products Manufacturing Co., Ltd. (重慶市九龍橡膠製品製造有限公司)	Chongqing Iron & Steel Company Limited	Conveyor Plant of Chongqing Metallurgical Machinery Factory (重慶冶金機械製造廠輸送帶分廠)	Litigation	Dispute over claim for payment of notes	98.12		Being processed	Unknown	

(III) Other explanation

Applicable Not applicable

VII. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND ACQUIRER AND RECTIFICATION MEASURES

Applicable Not applicable

Significant Events (Continued)

VIII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

Applicable Not applicable

There existed neither court judgment in force remaining unimplemented nor big outstanding liabilities due with the Company's controlling shareholder and de facto controller during the reporting period. The litigations and arbitrations involved by the Company are set out in "Section V Significant Events – VI. Material Litigation and Arbitration" of this report.

IX. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

(I) Relevant incentive events disclosed in extraordinary announcements but without subsequent development or changes during implementation

Applicable Not applicable

(II) Incentive events not disclosed in extraordinary announcements or with subsequent development

Equity incentive

Applicable Not applicable

Other explanations

Applicable Not applicable

Employee stock ownership plan

Applicable Not applicable

Other incentive measures

Applicable Not applicable

X. MATERIAL RELATED PARTY TRANSACTIONS

(I) Related party transaction related to day-to-day operation

1. *Matters disclosed in extraordinary announcements but without developments or changes in subsequent implementation*

Applicable Not applicable

2. *Matters disclosed in extraordinary announcements with subsequent development or changes during implementation*

Applicable Not applicable

On 13 January 2017, the Company and the Chongqing Iron & Steel Group entered into the Service and Supply Agreement between Chongqing Iron & Steel Company (Group) Limited and Chongqing Iron & Steel Company Limited in respect of the proposed continuing connected transactions and annual gap with a term from 13 January 2017 to 31 December 2019 (refer to the Announcement of Continuing Connected Transaction (No. 2017-008) of the Company dated 14 January 2017 for details).

Major services:

- I. the Company agreed to provide products and services to the Parent Group in summary as follows:
 - (1) production materials such as water, electricity, natural gas, steel billets, steel products and ancillary products (including cement, hardware, timber, etc);
- II. the Parent Group agreed to provide products and services to the Company in summary as follows:
 - (1) raw materials such as iron ore, scrap steel, refractory materials and ancillary products (including dolomite and limestone);
 - (2) ship and automobile transportation, technical services (including construction and labour services, etc) and information services;
 - (3) production materials such as electricity, industrial gas, equipment and spare parts;
 - (4) social welfare services (including mainly medical insurance and pensions funds management services, etc), the fees in respect of which were paid by the Company through Parent Company but no fees was charged by Parent Company for managing such social welfare services of the Company's employees.

Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transaction related to day-to-day operation (Continued)

2. *Matters disclosed in extraordinary announcements with subsequent development or changes during implementation (Continued)*

- III. the Company and the Parent Group will allow each other to use and occupy their respective factory premises.

Pricing policies:

The terms of the agreement were entered into after arm's length negotiations under normal commercial terms, and the pricing or consideration of which will be determined on the following basis:

- I. according to the price set by the PRC Government (including the municipal government and other regulatory bodies which govern such transactions);
- II. if no such price is set by the PRC Government, not lower than the guide prices set by the PRC Government for such transactions;
- III. if there is no set price and no guide prices set by the PRC Government, the applicable methods as follows will be chosen according to the circumstances:
 - (1) for products and services provided by the Parent Company to the Company, not higher than such open market price of independent parties on normal commercial terms in the comparable market;
 - (2) for products and services provided to the Parent Company by the Company, not lower than such open market price of independent parties on normal commercial terms in the comparable market.
- IV. if there are no comparable market prices, the applicable methods as follows, will be chosen according to the circumstances:
 - (1) for products and services provided by the Parent Company to the Company, not higher than such open market price of independent parties on normal commercial terms in the PRC generally;
 - (2) for products and services provided to the Parent Company by the Company, not lower than such open market price of independent parties on normal commercial terms in the PRC generally.

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transaction related to day-to-day operation (Continued)

2. *Matters disclosed in extraordinary announcements with subsequent development or changes during implementation (Continued)*

- V. if there is no set price and no guide prices set by the PRC Government and there is no open market price for such transactions, the parties are to negotiate on normal commercial terms for the supply of such transactions based on the actual or reasonable costs of such transactions (whichever is lower) together with a reasonable profit.

“Reasonable profit” means a profit margin no higher than

- (1) in respect of products and services provided by the Parent Company to the Company
 - a. the profit margin set by an independent provider providing similar type of products/materials/and/or services based on transactions with similar size and terms and in accordance with normal business practice in the industry;
 - b. a profit margin of 5% (whichever is lower).
- (2) in respect of products and services provided by the Company to the Parent Company
 - a. the profit margin set by an independent provider providing similar type of products/materials/and/or services based on transactions with similar size and terms and in accordance with normal business practice in the industry;
 - b. a profit margin of 5% (whichever is higher).

The Company’s independent non-executive Directors reviewed the above related party transactions, and confirmed that the transactions were:

- (1) entered into in the ordinary course of business of the Company;
- (2) carried out in accordance with normal commercial terms; and
- (3) carried out pursuant to the agreements of relevant transactions, the terms of which are fair and reasonable, and in the interests of shareholders of the Company as a whole.

Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transaction related to day-to-day operation (Continued)

3. Matters not disclosed in extraordinary announcements

Applicable Not applicable

Unit: RMB'000

Party to related-party transaction	Connected relationship	Type of related-party transaction	Content of related-party transaction	Price of related-party transaction	Amount of related-party transaction	As a percentage of the total amount of similar transactions (%)
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Other related parties	Purchase of products	Procurement of products	With reference to market price	96,628	2.34
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	162,774	3.85
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	50,487	1.19
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	42,949	1.02
Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	37,009	0.88
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	25,072	0.59
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	23,600	0.56
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	22,816	0.54
San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	9,732	0.23
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Acceptance of services	With reference to market price	7,709	8.27
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	4,563	0.11
Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	4,094	0.10
Others	Other related parties	Purchase of products			6,308	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Wholly-owned subsidiaries of the Parent Company	Sale of products	Sale of energy and rendering of services	With reference to market price	117,096	73.74
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Wholly-owned subsidiaries of the Parent Company	Sale of products	Sale of energy and etc.	With reference to market price	24,827	15.67

Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transaction related to day-to-day operation (Continued)

3. Matters not disclosed in extraordinary announcements (Continued)

Unit: RMB'000

Party to related-party transaction	Connected relationship	Type of related-party transaction	Content of related-party transaction	Price of related-party transaction	Amount of related-party transaction	As a percentage of the total amount of similar transactions (%)
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Other related parties	Sale of products	Sale of energy	With reference to market price	4,004	2.53
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Wholly-owned subsidiaries of the Parent Company	Sale of products	Sale of energy and etc.	With reference to market price	2,683	1.69
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Wholly-owned subsidiaries of the Parent Company	Sale of products	Sale of steel and energy	With reference to market price	827	0.02
Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限公司)	Wholly-owned subsidiaries of the Parent Company	Sale of products	Sale of energy	With reference to market price	783	0.49
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限公司)	Wholly-owned subsidiaries of the Parent Company	Sale of products	Sale of energy and rendering of services	With reference to market price	585	0.37
Others	Other related parties	Sale of products		With reference to market price	647	
Total				/	/	/

Particulars of substantial sales return Nil

Descriptions of the related party transactions They enabled the Company to obtain stable and reliable service supply at reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output

Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Related party transactions related to acquisition and disposal of assets and equity interests

1. *Events disclosed in extraordinary announcements without subsequent development or changes during implementation*

Applicable Not applicable

2. *Events disclosed in extraordinary announcements with subsequent development or changes during implementation*

Applicable Not applicable

3. *Events not disclosed in extraordinary announcements*

Applicable Not applicable

4. *Disclosure of the performance of the results relating to the results agreement during the reporting period*

Applicable Not applicable

(III) Material related party transactions related to joint external investment

1. *Events disclosed in extraordinary announcements without subsequent development or changes*

Applicable Not applicable

2. *Events disclosed in extraordinary announcements with subsequent development or changes*

Applicable Not applicable

3. *Events not disclosed in extraordinary announcements*

Applicable Not applicable

Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(IV) Amounts due to or from related parties

1. *Events disclosed in extraordinary announcements without subsequent development or changes*

Applicable Not applicable

2. *Events disclosed in extraordinary announcements with subsequent development or changes*

Applicable Not applicable

3. *Events not disclosed in extraordinary announcements*

Applicable Not applicable

Unit: RMB'000

Connected parties	Connected relationship	Provision of funds to connected parties			Provision of funds to the Company by connected parties		
		Opening balance	Amount of the transaction	Closing balance	Opening balance	Amount of the transaction	Closing balance
Chongqing Iron & Steel Group	Parent Company				954,120	-80,000	874,120
Total					954,120	-80,000	874,120
Reason of creditor's rights and debts		Financial aid					
Influence of creditor's rights and debts on the Company's operating results and financial position		Supplement working capital for the Company and maintain capital turnover for normal production and operation					

(V) Other material related party transactions

Applicable Not applicable

(VI) Others

Applicable Not applicable

Significant Events (Continued)

XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION

1. Trust, contracted businesses and leasing affairs

Applicable Not applicable

(1) Trust

Applicable Not applicable

(2) Contracted businesses

Applicable Not applicable

(3) Leasing affairs

Applicable Not applicable

Unit: RMB'000

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Expiry date of lease	Basis of Gain on lease	determination of such gain	Effect of gain on lease on the Company	Whether a related party transaction	Connected relations
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group Mining Dabaopo Mine Company Limited (重鋼集團礦業公司大寶坡礦)	Normal	690	2017.01.01	/	32	Bank-in slip	Constitute other operating income	Yes	Wholly-owned subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group San Feng Industrial Company Limited (重鋼集團三峰工業有限公司)	Normal	518	2017.01.01	/	24	Bank-in slip	Constitute other operating income	Yes	Wholly-owned subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Xin Gang Chang Long Company (新港長龍公司)	Normal	518	2017.01.01	/	24	Bank-in slip	Constitute other operating income	Yes	Subsidiary controlled by the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group Chaoyang Company Changshou Branch (重鋼集團朝陽公司)	Normal	1,380	2017.01.01	/	63	Bank-in slip	Constitute other operating income	Yes	Subsidiary controlled by the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group Industrial Company Limited (重鋼集團產業公司)	Normal	3,752	2017.01.01	/	172	Bank-in slip	Constitute other operating income	Yes	Wholly-owned subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	CECEP Sanfeng Co., Ltd. (重慶中節能公司)	Normal	776	2017.01.01	/	36	Bank-in slip	Constitute other operating income	Yes	Other related party

Significant Events (Continued)

XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

1. Trust, contracted businesses and leasing affairs (Continued)

(3) Leasing affairs (Continued)

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Whether a related party transaction	Connected relations
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Electronic Company (重鋼集團電子公司)	Normal	2,065	2017.01.01	/	95	Bank-in slip	Constitute other operating income	Yes	Wholly-owned subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel (Group) Transportation Company Limited (重鋼集團運輸公司)	Normal	719	2017.01.01	/	33	Bank-in slip	Constitute other operating income	Yes	Wholly-owned subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Training Center of Chongqing Iron & Steel Group (重鋼集團培訓中心)	Normal	129	2017.01.01	/	6	Bank-in slip	Constitute other operating income	Yes	Other
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group General Hospital (重鋼集團重鋼總醫院)	Normal	86	2017.01.01	/	4	Bank-in slip	Constitute other operating income	Yes	Other

2. Information on guarantee

Applicable Not applicable

Unit: RMB'000

External guarantees provided by the Company (excluding those for subsidiaries)

Guarantor	Relationship between the guarantor and listed company	Guaranteed Party	Guarantee amount	Effective date of guarantee (date of executing the agreement)	Inception date of the guarantee	Expiry date of the guarantee	Guarantee Type	Performance completed or not	Overdue or not	Amount over due	Availability of counter guarantee	Guarantee provided to related party or not	Connected relations
Chongqing Iron & Steel Company Limited	Home office of the Company	San Feng Jingjiang Port Logistics, LLC (三峰靖江港務物流有限責任公司)	900,000	2012-4-17	2012-4-17	2024-8-30	Credit guarantee	No	No	/	Yes	Yes	Subsidiary controlled by the Parent Company

Significant Events (Continued)

XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

1. Trust, contracted businesses and leasing affairs (Continued)

(3) Leasing affairs (Continued)

2. Information on guarantee (Continued)

Total guarantees during the reporting period (excluding those for subsidiaries)	
Total guarantee balance at the end of reporting period (A) (excluding those for subsidiaries)	754,294

Guarantees provided by the Company for subsidiaries

Total guarantees for subsidiaries incurred during the reporting period	
Total guarantee balance for subsidiaries at the end of the reporting period (B)	

Total guarantees provided by the Company (including those for subsidiaries)

Total amount of guarantees (A+B)	754,294
Total amount of guarantees over the net assets of the Company (%)	
Including:	
Amount of guarantees provided to shareholders, de facto controllers and their related parties (C)	754,294
Amount of debt guarantees directly or indirectly provided for guaranteed parties with a gearing ratio exceeding 70% (D)	
Amount of the total guarantees exceeding 50% of net assets (E)	
Total amount of the above three guarantees (C+D+E)	754,294

Descriptions on outstanding guarantee which may subject to joint liability

Description on guarantee	During the reporting period, the Company did not offer external guarantees but provided guarantee for San Feng Jingjiang Port Logistics Company Limited. As at the end of the reporting period, the balance of such guarantee of the Company was RMB754 million
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3. Other significant contracts

Applicable Not applicable

XII. POVERTY ALLEVIATION BY THE LISTED COMPANY

Applicable Not applicable

XIII. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

Applicable Not applicable

XIV. DESCRIPTIONS OF THE ENVIRONMENTAL PROTECTION INFORMATION OF THE COMPANY AS THE KEY POLLUTANT DISCHARGE UNIT ANNOUNCED BY THE ENVIRONMENTAL PROTECTION DEPARTMENT AND ITS SUBSIDIARIES

Applicable Not applicable

During the reporting period, the Company strictly observed the laws and regulations concerning environmental protection, revised the environmental protection responsibility system, further explicated the “Two duties for one post and same responsibilities for both Party and government”, formulated the annual environmental protection objectives and assigned relevant objectives to each unit, and entered into the environmental protection responsibility statement, in order to guarantee the fulfillment of objectives. The annual self-monitoring plan was made, and the monitoring data were made to the public on a regular basis. With main pollutants meeting the national emission standard, the Company passed the clean production audit by Chongqing Municipal Environmental Protection Bureau and passed the inspection. It also initiated the risk evaluation, passed the expert review, and obtained temporary pollutant discharge license for Series II, in order to guarantee the normal production of Series II.

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS

(I) Changes of accounting policies, estimations and methods and their reasons and influence as compared to the last accounting period

Applicable Not applicable

The Company adopted the Accounting Standards for Business Enterprises 42 – non-current assets held-for-sale, disposable units and discontinued operation with effect from 28 May 2017 and Accounting Standards for Business Enterprises 16 (amendment) – government subsidies with effect from 12 June 2017 promulgated by the Ministry of Finance.

(II) Correction of significant accounting errors requiring restatement, correction amount, and their reasons and influence during the reporting period

Applicable Not applicable

Significant Events (Continued)

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Others

Applicable Not applicable

(1) *Termination of material assets reorganisation*

Due to the plan for significant matters, trading of A shares of the Company had been suspended upon application since 2 June 2016. It then proceeded with the material assets reorganisation procedures on 4 June 2016.

Since the suspension of trading of A shares, the Company and Chongqing Iron & Steel Group had organised the relevant parties to proactively advance the work for the material assets reorganisation in accordance with the Administrative Measures on Significant Asset Restructuring of Listed Companies of China Securities Regulatory Commission and the relevant requirements of the Shanghai Stock Exchange.

1. During the suspension of trading of A shares, the Company and relevant parties appointed intermediary organs to conduct audit, evaluation and relevant due diligence investigation, continuously communicated and negotiated with underlying asset supervision department and main creditors about important matters in the asset purchase and asset disposal proposals, had in-depth discussions about matters related to the reorganisation plan and underlying assets, and continuously demonstrated the feasibility of the reorganisation plan;
2. On 31 August 2016, the Company entered into the Framework Agreement of Material Assets Reorganisation with Chongqing Iron & Steel Group and Yu Fu Holding;
3. The Proposal in relation to the Continuing Suspension of Trading of A shares for Material Assets Reorganisation of the Company was considered and approved by the 61st written resolution of the 7th session of the Board of the Company and the 2016 second extraordinary general meeting, announcing that the continuing suspension of trading would not exceed two months as of 2 September 2016;
4. On 8 September 2016, the Company held the investor briefing session concerning the continuing suspension of trading of shares for material assets reorganisation on the online platform of Shanghai Stock Exchange "SSE e Interaction" and by means of online interaction, communicating and exchanging the relevant situations of material assets reorganisation and intended resumption of trading of A shares with investors;

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Others (Continued)

(1) *Termination of material assets reorganisation (Continued)*

5. On 1 November 2016, the Company announced its continuing suspension of trading of A shares as of 2 November 2016 for no more than six months upon application to Shanghai Stock Exchange;
6. According to relevant rules, the Company registered and declared the insiders of the inside information related to the material assets reorganisation, and conducted self-inspection of the share trading of the Company;
7. Since the material assets reorganisation involves a large scale of the assets and complex project demonstration, the main assets of Yufu Group which are intended to be acquired are difficult to meet the requirements of the relevant regulatory policies of Hong Kong and the mainland, and the Company has not reached an agreement on the reorganisation plan with the major creditors as the assets intended to be disposed involve large scale of debt and the circumstance is relatively complicated, it is expected that it is difficult to reach an agreement on the reorganisation plan with relevant counterparties and disclose the plan on material assets reorganisation in the specified period, resulting in termination of the material assets reorganisation. On 2 May 2017, the Proposal in relation to the Termination of the Material Assets Reorganisation of Chongqing Iron & Steel Company Limited was considered and approved by the 92th written resolution of the 7th session of the Board of the Company.
8. On 2 May 2017, the Company received from the Shanghai Stock Exchange the Letter of Enquiry in relation to the Termination of Material Assets Reorganisation of Chongqing Iron & Steel Company Limited (Shang Zheng Gong Han [2017] No. 0496) (the “Enquiry Letter”). The Company already replied the Enquiry Letter and made disclosure (for details, please refer to the Announcement on Reply of Chongqing Iron & Steel Company Limited to the Shanghai Stock Exchange in Respect of the Letter of Enquiry in Relation to the Termination of Material Assets Reorganisation of Chongqing Iron & Steel Company Limited (Announcement No. 2017-050). According to the regulations of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, upon application to Shanghai Stock Exchange, the trading of A shares of the Company was resumed on 26 May 2017.

Up to date, the Company had completed the termination of the relevant work of the material assets reorganisation.

Significant Events (Continued)

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Others (Continued)

(2) *Conclusion of Purchase and Sales Cooperation Framework Agreement*

On 30 December 2016, the Company entered into a Purchase and Sale Cooperation Framework Agreement with Chongqing Qianxin International Trade Co., Ltd. ("Qianxin Company"), the signing of such agreement was considered and approved by the 80th written resolution of the 7th session of the Board.

The parties thereto agree to cooperate in the purchase of main materials required for production and sales of steel products following the market principle for a temporary cooperation period of three years from 1 January 2017 to 31 December 2019.

The Company opined that the cooperation with Qianxin Company created favorable conditions for the relief of the financial pressure, stabilization of production and sales scales, the realisation of economic production and reduction and reversion of losses.

See the details in the Announcement concerning the Entering into of the Purchase and Sale Cooperation Framework Agreement (Announcement No. 2017-001) issued by the Company and the Supplementary Announcement concerning the Entering into of the Purchase and Sale Cooperation Framework Agreement (Announcement No. 2017-005).

Movement of Ordinary Shares and the Particulars of Shareholders

I. INFORMATION ON CHANGES IN SHARE CAPITAL

(I) Table of movement of shares

1. *Table of movement of shares*

During the reporting period, the total number of shares and the structure of the share capital of the Company remained unchanged.

2. *Explanation on movement of shares*

Applicable Not applicable

3. *Impact on financial indicators such as earnings per share and net assets per share from change in shares occurred from the reporting period up to the disclosure date of the interim report (if applicable)*

Applicable Not applicable

4. *Other information considered necessary by the Company or required by regulators to be disclosed*

Applicable Not applicable

(1) *Compliance with the Corporate Governance Code*

To the best knowledge of the Board, the Company had complied with the requirements of the "Corporate Governance Code", Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange during the reporting period, and no deviation from the Code has been identified.

(2) *Model Code for Securities Transactions by Directors*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code for trading of the Company's securities by Directors. All Directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2017.

(3) *Interim dividend*

The Board does not recommend distribution of any interim dividend for the six months ended 30 June 2017.

Movement of Ordinary Shares and the Particulars of Shareholders (Continued)

I. INFORMATION ON CHANGES IN SHARE CAPITAL (CONTINUED)

(I) Table of movement of shares (Continued)

4. *Other information considered necessary by the Company or required by regulators to be disclosed (Continued)*

(4) *Purchase, Sale or Redemption of Listed Securities of the Company*

None of the Company and its subsidiaries purchased, sold or redeemed any listed securities of the Company during the reporting period.

(5) *Major acquisition and disposal of subsidiaries and affiliates*

No major acquisition and disposal of subsidiaries and affiliates occurred during the reporting period.

(6) *Audit Committee*

The Audit Committee is comprised of three independent non-executive Directors, namely, Mr. Xin Qing Quan, Mr. Xu Yi Xiang and Mr. Wong Chun Wa with Mr. Xin Qing Quan acting as the chairman of the Audit Committee.

The unaudited interim financial report of the Company for the six months ended 30 June 2017 had been reviewed by the members of the Audit Committee before submitting to the Board for approval.

(II) Information on Changes in Lock-up Shares

Applicable Not applicable

Movement of Ordinary Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as of the end of the reporting period	170,246
Total number of preferential shareholders with resumed voting rights as of the end of the reporting period	0

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period

Unit: share

Shareholdings of top 10 shareholders

Name of shareholder (full name)	Change during Shareholdings		Percentage (%)	Number of shares held with trading limitations	Pledged or frozen Status of the Shares	Number	Nature of Shareholder
	Reporting Period	as of the end of the period					
Chongqing Iron & Steel (Group) Co., Ltd	0	2,096,981,600	47.27	0	Pledged	979,000,000	State-owned legal person
HKSCC NOMINEES LIMITED	69,200	530,782,740	11.97	0	Unknown		Foreign legal person
Central Huijin Assets Management, LLC (中央匯金資產管理有限責任 公司)	0	93,284,800	2.1	0	Unknown		Unknown
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	0	39,352,886	0.89	0	Unknown		Unknown
WU Zhaomei	0	29,336,217	0.66	0	Unknown		Unknown
Bosera Funds – ABC – Bosera China Securities Financial Assets Management Plan (博時基金–農業銀行–博時中 證金融資產管理計劃)	0	23,900,800	0.54	0	Unknown		Unknown

Movement of Ordinary Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period (Continued)

Unit: share

Shareholdings of top 10 shareholders (Continued)

Name of shareholder (full name)	Change during Shareholdings		Percentage (%)	Number of shares held with trading limitations	Pledged or frozen Status of the Shares	Nature of Shareholder
	Reporting Period	as of the end of the period				
Dacheng Funds – ABC – Dacheng China Securities Financial Assets Management Plan (大成基金－農業銀行－大成中 證金融資產管理計劃)	0	23,900,800	0.54	0	Unknown	Unknown
ICBCCS Funds – ABC – ICBCCS China Securities Financial Assets Management Plan (工銀瑞信 基金－農業銀行－工銀瑞信 中證金融資產管理計劃)	0	23,900,800	0.54	0	Unknown	Unknown
GF Funds – ABC – GF China Securities Financial Assets Management Plan (廣發基 金－農業銀行－廣發中證金融 資產管理計劃)	0	23,900,800	0.54	0	Unknown	Unknown
Huaxia Funds – ABC – Huaxia China Securities Financial Assets Management Plan (華 夏基金－農業銀行－華夏中證 金融資產管理計劃)	0	23,900,800	0.54	0	Unknown	Unknown

Movement of Ordinary Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period (Continued)

Unit: share

Shareholdings of Top Ten Shareholders Without Trading Limitations

Name of shareholder	Shareholdings of tradable shares without trading limitations	Type and number of shares	
		Type	Number
Chongqing Iron & Steel (Group) Co., Ltd	2,096,981,600	RMB denominated ordinary shares	2,096,981,600
HKSCC NOMINEES LIMITED	530,782,740	Domestic listed foreign share	530,782,740
Central Huijin Assets Management, LLC	93,284,800	RMB denominated ordinary shares	93,284,800
China Securities Finance Corporation Limited	39,352,886	RMB denominated ordinary shares	39,352,886
WU Zhaomei	29,336,217	RMB denominated ordinary shares	29,336,217
Bosera Funds – ABC – Bosera China Securities Financial Assets Management Plan	23,900,800	RMB denominated ordinary shares	23,900,800
Dacheng Funds – ABC – Dacheng China Securities Financial Assets Management Plan	23,900,800	RMB denominated ordinary shares	23,900,800
ICBCCS Funds – ABC – ICBCCS China Securities Financial Assets Management Plan	23,900,800	RMB denominated ordinary shares	23,900,800
GF Funds – ABC – GF China Securities Financial Assets Management Plan	23,900,800	RMB denominated ordinary shares	23,900,800
Huaxia Funds – ABC – Huaxia China Securities Financial Assets Management Plan	23,900,800	RMB denominated ordinary shares	23,900,800

Movement of Ordinary Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period (Continued)

Shareholdings of Top Ten Shareholders Without Trading Limitations (Continued)

Description on the related relationship or acts in concert of the above shareholders	Chongqing Iron & Steel (Group) Co., Ltd is the controlling shareholder of the Company and has no related relationship with the other 9 shareholders and they are not parties acting in concert as stipulated in Administrative Measures for Management of Information Disclosure of Changes in Shareholdings of Shareholders of Listed Companies. The Company is also not aware of whether there is any related relationship among the other 9 shareholders or whether they are parties acting in concert.
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Descriptions on the preferential shareholders with resumed voting rights and shareholding	Nil
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Shareholdings and Trading Limitations of Top Ten Shareholders with Trading Limitations

Applicable Not applicable

(III) Strategic investors or ordinary legal persons who became top ten shareholders due to placing of new shares

Applicable Not applicable

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE DE FACTO CONTROLLER

Applicable Not applicable

Information on Preference Shares

Applicable

Not applicable

Information on Directors, Supervisors and Senior Management

I. INFORMATION ON CHANGES IN SHAREHOLDINGS

(I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the reporting period

Applicable Not applicable

(II) Information on incentive share option granted to directors, supervisors and senior management during the reporting period

Applicable Not applicable

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable Not applicable

Name	Position	Change
Chen Hong	Supervisor	Resignation
Jia Zhigang	Supervisor	Election

Details on changes in directors, supervisors and senior management of the Company

Applicable Not applicable

The Supervisory Committee of the Company received a written resignation letter from Ms. Chen Hong on 2 June 2017. Ms. Chen Hong applied for resignation as a staff representative supervisor of the seventh session of the Supervisory Committee of the Company due to work adjustment. Ms. Chen Hong confirmed that, as of the date of this announcement, she has no disagreement with the board of directors and/or the Supervisory Committee and there is no other matter in relation to her resignation that needs to be brought to the attention of the shareholders.

Information on Directors, Supervisors and Senior Management (Continued)

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY (CONTINUED)

Details on changes in directors, supervisors and senior management of the Company (Continued)

Following the resignation of Ms. Chen Hong, the number of staff representative supervisor would fall short of one-third of membership of the Supervisory Committee of the Company. Therefore, the resignation of Ms. Chen Hong would take effect after a new staff representative supervisor is elected at the staff representative conference of the Company. During such period, Ms. Chen Hong shall continue to perform her duties as a staff representative supervisor of the Company. The Company would convene a staff representative conference and elect a new staff representative supervisor as soon as practicable.

In the 49th Session of the Leaders of Staff Representatives of the Third Staff Representatives' Congress of the Company held on 21 August 2017, Mr. Jia Zhigang was elected as a staff supervisor to fill the vacancy of the seventh Supervisory Committee and would hold the office until the expiry of the seventh Supervisory Committee.

III. OTHER DESCRIPTIONS

Applicable Not applicable

IV. DIRECTORS' AND SUPERVISORS' INTERESTS IN THE SHARES OF THE COMPANY OR ASSOCIATED CORPORATION

As at 30 June 2017, the interests and short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the SFO) of the Directors, Supervisors and senior management members in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules of the Stock Exchange") and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Information on Directors, Supervisors and Senior Management (Continued)

IV. DIRECTORS' AND SUPERVISORS' INTERESTS IN THE SHARES OF THE COMPANY OR ASSOCIATED CORPORATION (CONTINUED)

Interests in Chongqing Iron & Steel Group Doorlead Realty Co., Ltd. (originally named Hengda):

Name	Interest type	Number of (shares)
Liu Da Wei	Individual	800
Tu De Ling	Individual	800
Xie Chuan Xin	Individual	5,600
Chen Hong	Individual	1,600

Note: the above information indicates that the interests of the Directors and Supervisors in Hengda were transferred from the Company to the Parent Company in December 2002.

Save as disclosed above, as at 30 June 2017 none of the Directors, Supervisors or their respective associates had any interest in the shares of the Company or its associated corporations.

Corporate Bond Overview

Applicable Not applicable

I. CORPORATE BOND OVERVIEW

Unit: 100 million Currency: RMB

Bond Name	Abbreviation	Code	Date of Issue	Due Date	Bond Balance	Interest Rate (%)	Principal and Interest Payment	Exchange Place
CISL Corporate Bond 2010	Chong Zhai Suspended	122059	December 9, 2010	December 9, 2017	20.00	6.20%	Pay interest annually, and the principal on the due date	Shanghai Stock Exchange

Information on the payment of principal and interest of corporate bonds

Applicable Not applicable

In order to protect the interest of relevant bondholders, Chongqing Guochuang Investment and Management Co., Ltd. fully settled the outstanding principal of the bonds and interests accrued for the period in advance on 26 June 2017 in accordance with the resolution passed in the first bondholder meeting in respect of “Chong Zhai Suspended” in 2017. On the same day, such corporate bonds were delisted from the Shanghai Stock Exchange.

For details, please refer to the Announcement on the Delisting of the Corporate Bonds of the Company (“Chong Zhai Suspended”) (No. 2017-059) published by the Company on 23 June 2017.

Other information about the corporate bonds

Applicable Not applicable

The corporate bonds (Bond Code: 122059, abbreviated as: “10 Chonggang Zhai”) were 7-year bonds issued on 9 December 2010 with put-back option exercised at the end of the fifth year and a nominal value of RMB100 each totaling RMB2 billion bearing a coupon rate of 6.20%.

Given that the Company recorded audited negative net profits for the both years of 2015 and 2016 and audited negative net assets for the year of 2016, the listing of the debt securities “10 Chonggang Zhai” (code: 122059) issued by the Company in 2010 has been suspended since 31 March 2017.

Pursuant to the Decision on Suspension of Trading of the 2010 Corporate Bond of Chongqing Iron & Steel Company Limited issued by the Shanghai Stock Exchange, the trading of “10 Chonggang Zhai” of the Company was suspended from 13 April 2017, and the abbreviated name has been changed from “10 Chonggang Zhai” to “Chong Zhai Suspended” with the bond code remaining the same.

Corporate Bond Overview (Continued)

I. CORPORATE BOND OVERVIEW (CONTINUED)

Chongqing Guochuang Investment and Management Co., Ltd. fully settled the outstanding principal of the bond and interests accrued for the period on behalf of the Company in advance on 26 June 2017. “Chong Zhai Suspended” of the Company were delisted from the Shanghai Stock Exchange effective from 26 June 2017.

II. CONTACT PERSONS AND METHODS OF CORPORATE BONDS TRUSTEE MANAGER AND CONTACT METHODS OF CREDIT RATING AGENCY

Bonds trustee manager	Name	China Merchants Securities Co., Ltd.
	Address	Level 38–45, Tower A, Jiangsu Building, Yitian Road, Futian District, Shenzhen, China
	Contact person	Li Jian
	Tel	0755-82943256
Credit rating agency	Name	China Chengxin Securities Ratings Co., Ltd.
	Address	4/F, Jinyang Tower, No. 26 Financial Street, Xicheng District, Beijing

Others:

Applicable Not applicable

III. USE OF PROCEEDS RAISED FROM PUBLIC ISSUANCE OF THE CORPORATE BONDS

Applicable Not applicable

The total amount of RMB2 billion raised from public issuance of the corporate bonds was fully utilized as scheduled in accordance with the use of proceeds as set out in the prospectus in 2011.

IV. RATING OF THE CORPORATE BONDS

Applicable Not applicable

China Chengxin Securities Ratings Co., Ltd. conducted a credit rating at the issuance of the bonds and came to the conclusion that the main long-term credit rating of the Company was AA and the bonds credit rating of the Company was AA+ with a stable outlook; on 26 May 2017, China Chengxin Securities Ratings Co., Ltd. conducted a follow-up credit rating and came to the conclusion that the credit rating of the liability part of bonds of the Company was AAA and the main long-term credit rating was BBB with incorporation into the credit watch list.

Corporate Bond Overview (Continued)

V. CORPORATE BONDS CREDIT ENHANCEMENT MECHANISM, SOLVENCY PLAN AND OTHERS DURING THE REPORTING PERIOD

Applicable Not applicable

During the reporting period, the enhancement mechanism, solvency plan and other solvency guarantee measures of corporate bonds remained the same and were in line with the relevant commitment as set out in the prospectus.

VI. MEETINGS OF CORPORATE BONDHOLDERS

Applicable Not applicable

On 25 May 2017, the corporate bonds trustee manager, China Merchants Securities Co., Ltd., has convened the first bondholders' meeting in 2017 in relation to "The Suspended Corporate bonds of Chongqing Iron & Steel Company Limited" in accordance with the Prospectus, the Rules Governing Meetings of Bond Holders and relevant laws and regulations, and approved the resolutions as follows:

1. The Resolution in relation to Early Repayment of the Principal and Interest of "The Suspended corporate bonds of Chongqing Iron & Steel Company Limited" (《關於提前兌付“重債暫停”本金及利息的議案》);
2. The Resolution in relation to Approval of Letter of Guarantee Issued by Chongqing Guochuang Investment and Management Co., Ltd. (《關於同意重慶國創投資管理有限公司保函的議案》);
3. The Resolution in relation to Addition to the Principal and Interest of "The Suspended corporate bonds of Chongqing Iron & Steel Company Limited" Settled by Chongqing Guochuang Investment and Management Co., Ltd. (the guarantor) on behalf of the Company (《關於由本次追加擔保人重慶國創投資管理有限公司代為支付“重債暫停”的本金和利息的議案》);
4. The Resolution in relation to Assumption of All Legal Entitlements and Obligations (Including but not Limited to the Right of Recourse to the Company) under "The Suspended corporate bonds of Chongqing Iron & Steel Company Limited" by Chongqing Guochuang Investment and Management Co., Ltd. upon the Addition to the Principal and Interest of "The Suspended corporate bonds of Chongqing Iron & Steel Company Limited" Settled by Chongqing Guochuang Investment and Management Co., Ltd. (the guarantor) on behalf of the Company (《關於在本次追加擔保人重慶國創投資管理有限公司代償“重債暫停”後，重慶國創投資管理有限公司享有“重債暫停”項下的全部法律權利和義務，包括但不限於向公司的追償權利的議案》).

Corporate Bond Overview (Continued)

VII. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGER

Applicable Not applicable

During the reporting period, the bonds trustee manager performed its duty in accordance with the agreement.

VIII. FINANCIAL HIGHLIGHTS ENDED THE REPORTING PERIOD/LAST YEAR (OR IN REPORTING PERIOD/THE SAME PERIOD LAST YEAR)

Applicable Not applicable

Unit: RMB'000

Key Indicator	End of Current Reporting Period	End of Last Year	Change over the End of Last Year (%)
Current ratio	0.11	0.09	20.89
Quick ratio	0.04	0.06	-20.6
Asset-liability ratio	103.01%	100.29%	2.7
Loan repayment ratio	99.79%	100%	-0.21

	Current Report Period (January–June)	Same Period Last Year	Change over the Same Period Last Year (%)
EBITDA interest coverage ratio	-85.18%	-237.22%	152.04
Interest coverage	82.64%	100%	-17.36

IX. INFORMATION ON OVERDUE DEBTS

Applicable Not applicable

Corporate Bond Overview (Continued)

X. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Applicable Not applicable

XI. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

As of the end of the reporting period, the lines of credit of the Company from the bank totaled RMB16.636 billion and the credit utilized was RMB16.470 billion.

XII. FULFILLMENT OF THE RELEVANT AGREEMENTS AND COMMITMENTS IN THE COMPANY'S PROSPECTUS DURING THE REPORTING PERIOD

Applicable Not applicable

During the reporting period, the Company strictly fulfilled the relevant agreements and commitments in the Prospectus of the Company, utilized the raised capital in compliance with relevant regulations and paid the interest of the corporate bonds on time and thus there was no such situations that damaged the interests of bondholders.

XIII. MAJOR EVENTS AND THEIR IMPACT ON OPERATING STATUS AND SOLVENCY OF THE COMPANY

Applicable Not applicable

Consolidated Balance Sheet

As at 30 June 2017

Compilation Organization:
Chongqing Iron & Steel Company Limited

Accounting Consolidated Table 01
Expressed in RMB thousand yuan

Assets	As at 30 June 2017	As at 31 December 2016
Current assets:		
Cash and bank deposits	881,768	1,102,694
Notes receivable	7,349	19,435
Accounts receivable	280,221	256,258
Prepayments	51,980	37,191
Other receivables	55,363	58,099
Inventories	1,950,942	972,960
Other current assets	620	509
Total current assets	3,228,243	2,447,146

Consolidated Balance Sheet (Continued)

As at 30 June 2017

Assets	As at 30 June 2017	As at 31 December 2016
Non-current assets:		
Available-for-sale financial assets	5,000	5,000
Long-term equity investments	129,104	131,015
Fixed assets	29,036,713	29,491,264
Construction in progress	30,757	43,131
Construction materials		15,126
Intangible assets	2,616,744	2,648,584
Deferred tax assets		
Other non-current assets	1,459,712	1,657,188
Total non-current assets	33,278,030	33,991,308
Total assets	36,506,273	36,438,454

Consolidated Balance Sheet (Continued)

As at 30 June 2017

Liabilities and shareholders' equities	As at 30 June 2017	As at 31 December 2016
Current liabilities:		
Short-term borrowings	6,103,208	5,700,587
Notes payable	440,877	1,632,710
Accounts payable	11,586,472	9,385,026
Receipts in advance	641,436	1,014,762
Employee benefits payable	666,598	561,255
Tax payable	1,137	235
Interests payable	146,767	117,013
Other payables	5,852,051	4,202,381
Non-current liabilities due within one year	3,063,016	3,504,533
Other current liabilities	12,231	12,231
Total current liabilities	28,513,793	26,130,733

Consolidated Balance Sheet (Continued)

As at 30 June 2017

Liabilities and shareholders' equities	As at 30 June 2017	As at 31 December 2016
Non-current liabilities:		
Long-term borrowings	7,561,880	9,073,456
Debentures payable		
Long-term payable	2,098	61,944
Long-term employee benefits payable	251,935	276,634
Provisions		52,177
Deferred income	168,216	174,326
Other non-current liabilities	1,106,100	776,618
Total non-current liabilities	9,090,229	10,415,155
Total liabilities	37,604,022	36,545,888
Shareholders' equity:		
Share Capital	4,436,023	4,436,023
Capital reserve	7,162,711	7,154,203
Other comprehensive income		
Special reserve		
Surplus reserve	606,991	606,991
Retained earnings	-13,396,193	-12,397,711
Total equity attributable to shareholders of the parent company	-1,190,468	-200,494
Non-controlling interest	92,719	93,060
Total shareholders' equity	-1,097,749	-107,434
Total liabilities and shareholders' equities	36,506,273	36,438,454

Legal representative:

Liu Dawei

The person in charge of
accounting body:

Tu Deling

The head of the
accounting department:

Zhang Zongming

Balance Sheet of the Parent Company

As at 30 June 2017

Compilation Organization:
Chongqing Iron & Steel Company Limited

Accounting Consolidated Table 01
Expressed in RMB thousand yuan

Assets	As at 30 June 2017	As at 31 December 2016
Current assets:		
Cash and bank deposits	144,549	362,385
Notes receivable	7,349	19,435
Accounts receivable	281,449	258,568
Prepayments	36,439	22,535
Other receivables	55,348	58,084
Inventories	1,950,942	972,960
Other current assets		87
Total current assets	2,476,076	1,694,054
Non-current assets:		
Available-for-sale financial assets	5,000	5,000
Long-term equity investments	891,726	893,637
Fixed assets	29,027,710	29,481,983
Construction in progress	29,176	42,829
Construction materials		15,126
Intangible assets	2,616,744	2,648,584
Other non-current assets	1,459,712	1,657,188
Total non-current assets	34,030,068	34,744,347
Total assets	36,506,144	36,438,401

Balance Sheet of the Parent Company (Continued)

As at 30 June 2017

Liabilities and shareholders' equities	As at 30 June 2017	As at 31 December 2016
Current liabilities:		
Short-term borrowings	6,103,208	5,700,587
Notes payable	440,877	1,632,710
Accounts payable	11,633,380	9,429,515
Receipts in advance	630,148	1,006,106
Employee benefits payable	666,196	560,810
Tax payable	1,011	18
Interests payable	146,767	117,013
Other payables	5,908,026	4,259,548
Non-current liabilities due within one year	3,063,016	3,504,533
Other current liabilities	12,231	12,231
Total current liabilities	28,604,860	26,223,071
Non-current liabilities:		
Long-term borrowings	7,561,880	9,073,456
Debentures payable		
Long-term payable	2,098	61,944
Long-term employee benefits payable	251,935	276,634
Provisions		52,177
Deferred income	168,216	174,326
Other non-current liabilities	1,106,100	776,618
Total non-current liabilities	9,090,229	10,415,155
Total liabilities	37,695,089	36,638,226

Balance Sheet of the Parent Company (Continued)

As at 30 June 2017

Liabilities and shareholders' equities	As at 30 June 2017	As at 31 December 2016
Shareholders' equity:		
Share Capital	4,436,023	4,436,023
Capital reserve	7,193,654	7,185,146
Other comprehensive income		
Special reserve		
Surplus reserve	577,012	577,012
Retained earnings	-13,395,634	-12,398,006
Total shareholders' equity	-1,188,945	-199,825
Total liabilities and shareholders' equities	36,506,144	36,438,401

Legal representative:
Liu Dawei

The person in charge of
accounting body:
Tu Deling

The head of the
accounting department:
Zhang Zongming

Consolidated Income Statement

For January to June 2017

Compilation Organization:
Chongqing Iron & Steel Company Limited

Accounting Consolidated Table 02
Expressed in RMB thousand yuan

Items	Current period cumulative	Preceding period comparative
I. Total operating revenue	4,521,727	2,789,412
Including: Operating revenue	4,521,727	2,789,412
II. Total operating costs	5,524,492	4,696,895
Including: Operating costs	4,412,817	3,432,699
Taxes and surcharges	39,779	177
Selling expenses	23,681	105,105
Administrative expenses	532,656	601,693
Financial expenses	515,559	543,734
Impairment losses on assets		13,487
Add: Gains from changes in fair value (losses are represented by "-")		
Investment income (losses are represented by "-")	-1,911	
Including: Gains from investment in associates and joint ventures	-1,911	
Gains on foreign exchange (losses are represented by "-")		
Other income	6,286	
III. Operating profit (losses are represented by "-")	-998,390	-1,907,483
Add: Non-operating income	95	117,169
Including: Gains on disposal of non-current assets	17	12
Less: Non-operating expenses	526	7
Including: Losses on disposal of non-current assets	11	
IV. Profit before income tax (losses are represented by "-")	-998,821	-1,790,321
Less: Income tax expenses	2	12
V. Net profit for the year (net losses are represented by "-")	-998,823	-1,790,333
Net profit attributable to the shareholders of the parent company	-998,482	-1,790,343
Non-controlling interests	-341	10

Consolidated Income Statement (Continued)

For January to June 2017

Items	Current period cumulative	Preceding period comparative
VI. Other comprehensive income after tax		
Other comprehensive income after tax attributable to shareholders of the parent company		
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes in remeasurement on the net defined benefit liability/asset		
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
(II) Other comprehensive income that will be reclassified to profit or loss		
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
2. Profit or loss arising from changes in fair value of available-for-sale financial assets		
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets		
4. Effective hedging portion of profit or loss arising from cash flow hedging instruments		
5. Translation difference arising on translation of foreign currency financial statements		
6. Others		
Other comprehensive income after tax attributable to non-controlling interests		
VII. Total comprehensive income	-998,823	-1,790,333
Total comprehensive income attributable to shareholders of the parent company	-998,482	-1,790,343
Total comprehensive income attributable to non-controlling interests	-341	10
VIII. Earnings per share:		
(1) Basic earnings per share (<i>yuan/share</i>)	-0.23	-0.40
(2) Diluted earnings per share (<i>yuan/share</i>)	-0.23	-0.40

Legal representative:
Liu Dawei

The person in charge of
accounting body:
Tu Deling

The head of the
accounting department:
Zhang Zongming

Income Statement of the Parent Company

For January to June 2017

Compilation Organization:
Chongqing Iron & Steel Company Limited

Accounting Consolidated Table 02
Expressed in RMB thousand yuan

Items	Current period cumulative	Preceding period comparative
I. Operating revenue	4,385,450	2,580,184
Less: Operating costs	4,277,126	3,225,770
Taxes and surcharges	39,576	141
Selling expenses	21,810	100,533
Administrative expenses	526,699	600,908
Financial expenses	519,174	543,730
Impairment losses on assets	-1	13,487
Add: Gains from changes in fair value (losses are represented by "-")		
Investment income (losses are represented by "-")	-4,547	
Including: Gains from investment in associates and joint ventures	-1,911	
Other income	6,286	
II. Operating profit (losses are represented by "-")	-997,195	-1,904,385
Add: Non-operating income	93	117,169
Including: Gains on disposal of non-current assets	17	12
Less: Non-operating expenses	526	
Including: Losses on disposal of non-current assets	11	
III. Profit before income tax (losses are represented by "-")	-997,628	-1,787,216
Less: income tax expenses		
IV. Net profit for the year (net losses are represented by "-")	-997,628	-1,787,216

Income Statement of the Parent Company (Continued)

For January to June 2017

Items	Current period cumulative	Preceding period comparative
V. Other comprehensive income after tax		
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes in remeasurement on the net defined benefit liability/asset		
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
(II) Other comprehensive income that will be reclassified to profit or loss		
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
2. Profit or loss arising from changes in fair value of available-for-sale financial assets		
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets		
4. Effective hedging portion of profit or loss arising from cash flow hedging instruments		
5. Translation difference arising on translation of foreign currency financial statements		
6. Others		
VI. Total comprehensive income	-997,628	-1,787,216
VII. Earnings per share:		
(1) Basic earnings per share (yuan/share)		
(2) Diluted earnings per share (yuan/share)		

Legal representative:

Liu Dawei

*The person in charge of
accounting body:*

Tu Deling

*The head of the
accounting department:*

Zhang Zongming

Consolidated Cash Flow Statement

For January to June 2017

Compilation Organization:
Chongqing Iron & Steel Company Limited

Accounting Consolidated Table 03
Expressed in RMB thousand yuan

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	847,862	1,658,721
Receipts of tax refund		18
Other cash receipts related to operating activities	2,170,517	8,189,127
Sub-total of cash inflows from operating activities	3,018,379	9,847,848
<hr style="border-top: 1px dashed black;"/>		
Cash payments for goods purchased and services rendered	836,390	1,751,081
Cash payments to and on behalf of employees	253,804	357,979
Payments of various types of taxes	38,646	61,207
Other cash payments related to operating activities	1,971,562	8,134,542
Sub-total of cash outflows from operating activities	3,100,402	10,304,809
<hr style="border-top: 1px dashed black;"/>		
Net cash flows from operating activities	-82,023	-456,961

Consolidated Cash Flow Statement (Continued)

For January to June 2017

Items	Current period cumulative	Preceding period comparative
II. Cash flows from investing activities:		
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		
Net cash receipts from disposal of subsidiaries and other operating entities		
Other cash receipts related to investing activities		
<hr/>		
Sub-total of cash inflows from investing activities	-	-
<hr style="border-top: 1px dashed #0070C0;"/>		
Cash payments for acquisition and construction of fixed assets, intangible assets and other long-term assets	17,868	141,630
<hr/>		
Sub-total of cash outflows from investing activities	17,868	141,630
<hr style="border-top: 1px dashed #0070C0;"/>		
Net cash flows from investing activities	-17,868	-141,630
<hr style="border-top: 1px dashed #0070C0;"/>		

Consolidated Cash Flow Statement (Continued)

For January to June 2017

Items	Current period cumulative	Preceding period comparative
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		
Including: Cash received by subsidiaries from non-controlling shareholders as investments		
Cash received from borrowings	1,817,740	4,075,065
Other cash receipts related to financing activities	412,753	1,709,978
Sub-total of cash inflows from financing activities	2,230,493	5,785,043
Repayment of borrowings	1,311,117	2,810,496
Cash payments for distribution of dividends or profits, or interests	164,600	354,391
Including: Dividends and profits paid by subsidiaries to non-controlling shareholders of subsidiaries		
Other cash payments related to financing activities	645,210	1,820,825
Sub-total of cash outflows from financing activities	2,120,927	4,985,712
Net cash flows from financing activities	109,566	799,331
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	-1,790	
V. Net increase in cash and cash equivalents	7,885	200,740
Add: Cash and cash equivalents at the beginning of the period	745,447	32,376
VI. Cash and cash equivalents at the end of the period	753,332	233,116

Legal representative:
Liu Dawei

The person in charge
of accounting body:
Tu Deling

The head of the accounting
department:
Zhang Zongming

Cash Flow Statement of the Parent Company

For January to June 2017

Compilation Organization:
Chongqing Iron & Steel Company Limited

Accounting Consolidated Table 03
Expressed in RMB thousand yuan

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	746,155	1,411,430
Other cash receipts related to operating activities	2,160,248	8,181,618
<hr/>		
Sub-total of cash inflows from operating activities	2,906,403	9,593,048
<hr/>		
Cash payments for goods purchased and services rendered	736,245	1,506,079
Cash payments to and on behalf of employees	248,254	356,429
Payments of various types of taxes	38,516	61,008
Other cash payments related to operating activities	1,965,467	8,123,315
<hr/>		
Sub-total of cash outflows from operating activities	2,988,482	10,046,831
<hr/>		
Net cash flows from operating activities	-82,079	-453,783
<hr/>		
II. Cash flows from investing activities:		
Cash received from investment income		
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		
Net cash receipts from disposal of subsidiaries and other operating entities		
Other cash receipts related to investing activities		
<hr/>		
Sub-total of cash inflows from investing activities		
<hr/>		
Cash payments for acquisition and construction of fixed assets, intangible assets and other long-term assets	16,512	141,630
Cash payments for investments		
Net cash payments for the acquisition of subsidiaries & other business units		
<hr/>		
Sub-total of cash outflows from investing activities	16,512	141,630
<hr/>		
Net cash flows from investing activities	-16,512	-141,630
<hr/>		

Cash Flow Statement of the Parent Company (Continued)

For January to June 2017

Items	Current period cumulative	Preceding period comparative
III. Cash flows from financing activities:		
Cash received from borrowings	1,817,740	4,075,065
Other cash receipts related to financing activities	412,753	1,709,978
<hr/>		
Sub-total of cash inflows from financing activities	2,230,493	5,785,043
<hr/>		
Repayment of borrowings	1,311,117	2,810,496
Cash payments for distribution of dividends or profits, or interests	164,600	354,391
Other cash payments related to financing activities	645,210	1,820,825
<hr/>		
Sub-total of cash outflows from financing activities	2,120,927	4,985,712
<hr/>		
Net cash flows from financing activities	109,566	799,331
<hr/>		
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	-1,790	
<hr/>		
V. Net increase in cash and cash equivalents	10,975	203,918
Add: Cash and cash equivalents at the beginning of the period	5,138	28,608
<hr/>		
VI. Cash and cash equivalents at the end of the period	16,113	232,526

Legal representative:

Liu Dawei

The person in charge of
accounting body:

Tu Deling

The head of the accounting
department:

Zhang Zongming

Consolidated Statement of Changes in Shareholders' Equity

For January to June 2017

Accounting Consolidated Table 04
Expressed in RMB thousand yuan

Compilation Organization:
Chongqing Iron & Steel Company Limited

Items	Current period: cumulative			Preceding period: comparative			Total shareholders' equity	Non-controlling interest	Retained earnings	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Share capital	Capital reserve								
I. Closing balance of the preceding year	4,436,023	7,154,203	606,991	606,991	4,436,023	6,657,614	606,991	-7,711,755	19,274	4,006,147				4,006,147
II. Opening balance of the current year	4,436,023	7,154,203	606,991	606,991	4,436,023	6,657,614	606,991	-7,711,755	19,274	4,006,147				4,006,147
III. Changes in the current period (decrease are represented by "-")														
(I) Total comprehensive income		8,508				762		-1,790,343	10	-1,789,571				-1,789,571
(II) Shareholders' contribution and reduction in share capital								-4,790,343	10	-1,790,333				-1,790,333
1. Capital contributed by owners						762								762
4. Others		8,508				762								762
(III) Profit distribution														
(IV) Transfers within shareholders' equity														
(V) Special reserve			9,332									9,332		9,332
1. Accrued in the current period			9,332									9,332		9,332
2. Utilized in the current period														
(VI) Others														
IV. Closing balance of the current period	4,436,023	7,162,711	606,991	606,991	4,436,023	6,658,376	606,991	-9,502,088	19,284	2,215,576				2,215,576

The person in charge of
accounting body:
Tu Dejing

The head of the accounting
department:
Zhang Zongming

Legal representative:
Liu Dawei

Statement of Changes in Shareholders' Equity of the Parent Company

For January to June 2017

Accounting Consolidated Table 04
Expressed in RMB thousand yuan

Compilation Organization:
Chongqing Iron & Steel Company Limited

Items	Current period cumulative					Preceding period comparative								
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Closing balance of the preceding year	4,436,023	7,185,146		577,012	-12,398,006	-199,825	4,436,023	6,888,557	577,012	-7,713,617	3,987,975			3,987,975
II. Opening balance of the current year	4,436,023	7,185,146		577,012	-12,398,006	-199,825	4,436,023	6,888,557	577,012	-7,713,617	3,987,975			3,987,975
III. Changes in the current period (decrease are represented by "-")														
(I) Total comprehensive income		8,508			-997,628	-988,120		762		-1,787,216	-1,786,454			-1,786,454
(II) Shareholders' contribution and reduction in share capital					-997,628	-997,628				-1,787,216	-1,787,216			-1,787,216
4. Others						8,508		762			762			762
(III) Profit distribution						8,508		762			762			762
(IV) Transfers within shareholders' equity														
(V) Special reserve				9,332		9,332					9,368			9,368
1. Accrued in the current period				9,332		9,332					9,368			9,368
2. Utilized in the current period														
(VI) Others														
IV. Closing balance of the current period	4,436,023	7,193,654		577,012	-13,395,634	-1,188,945	4,436,023	6,889,319	577,012	-9,500,833	2,201,521			2,201,521

The person in charge of
accounting body:
Tu Deling

The head of the accounting
department:
Zhang Zongming

Legal representative:
Liu Dawei

Notes to Financial Statements

For January to June 2017 Monetary unit: RMB'000 Yuan

I. BASIC INFORMATION ON THE COMPANY

According to the Approval for the Establishment of Chongqing Iron & Steel Company Limited (Ti Gai Sheng Zi [1997] No. 127) issued by the State Commission for Restructuring Economic Systems and the Approval for the Management of State-owned Equity of Chongqing Iron & Steel Company Limited (in preparation) (Guo Zi Qi Fa [1997] No. 156) issued by the State-owned Assets Administration Bureau, the Company was established as a limited liability company by Chongqing Iron & Steel (Group) Co., Ltd (hereafter referred to as "CISG") as the sole promoter. The Company was incorporated and registered with Chongqing Municipal Administration of Industry and Commerce on 11 August 1997, Headquarters is located in Changshou Economic Development Zone of Chongqing. The Company holds the business license with unified social credit code of 91500000202852965T, with the registered capital of RMB4,436,022,600 yuan and the sum of 4,436,022,600 shares (RMB1 yuan for each share in face value), including 3,897,895,400 A shares without any restricted condition, and 538,127,200 H shares. The Company's shares were listed in the Stock Exchange of Hong Kong Ltd. on 17 October 1997, and listed in Shanghai Stock Exchange on 28 February 2007.

The Company and its subsidiary are mainly engaged in the iron & steel manufacturing industry. Scope of business: production, machining and sale of steel plates, steel sections, wire rods, bar materials, billets and thin plates; production and sale of coking and coal chemical products (excluding dangerous chemicals and others beyond the license), pig iron & grain slag, steel slag, and steel scrap.

The Company incorporated the following five subsidiaries into the scope of the consolidated financial statement in the current period: Guizhou CIS Iron and Steel Sales Co., Ltd.; Jingjiang Sanfeng Steel Processing & Distribution Co., Ltd.; Jingjiang CIS Huadong Trading Co., Ltd.; Chongqing CIS Building Materials Sales Co., Ltd. and Chongqing CISL high strength cold rolling steel Co., Ltd. Refer to "Notes to the Financial Statements –Change of the consolidation scope and Interest in their entities for details" for details.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis

The financial statements have been prepared on the basis of going concern.

(II) Assessment of the ability to continue as a going concern

From January to June 2017, the net loss attributable to the owners of the Parent Company was RMB0.998 billion, the net cash outflow from operating activity was RMB88 million; as at 30 June 2017, total equity attributable to the owners of the Parent Company was RMB-1.2 billion, the debt to assets ratio was 103.00%, with current liabilities exceeding current assets by RMB25.286 billion. Some bank accounts of the Company were frozen by the court due to litigation. As indicated above the existence of a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern, and as a result the Company may not be able to liquid its assets or pay off its debts during the ordinary course of business.

On 3 July 2017, Chongqing Municipal First Intermediate People's Court issued (2017) Y01 PoShen No. 5 Civil Ruling Paper, accepting the application made by the creditor Chongqing Laiquyuan Trading Co., Ltd. for company reorganization; it also issued (2017) Y01 Po No. 3 Decision, designating the liquidation team of Chongqing Iron & Steel Company Limited to take charge of the reorganization as the superintendent of the Company, and deciding that the Company shall enter into the bankruptcy reorganization procedure.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Important note:

The Company has set up accounting policies and estimates on transactions or events such as provision for bad debts of receivables, provision for impairment of inventory, depreciation of fixed assets, amortization of intangible assets, and revenue recognition, etc. based on the Company's actual production and operation features.

(I) Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

(II) Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(III) Operating cycle

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

(IV) Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

(V) Accounting treatments of business combination under and not under common control

1. *Accounting treatment of business combination under common control*

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. *Accounting treatment of business combination not under common control*

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(VI) Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 – Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(VII) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VIII) Foreign currency translation

1. *Translation of foreign currency operations*

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

2. *Translation of foreign currency financial statements*

Assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date. In addition to the “undistributed profits”, the other items of owners’ equity shall be translated at the spot exchange rate on the transaction date. Income and expense items in the profit statement are translated at the approximate spot exchange rate on the transaction date. The conversion differences of foreign currency financial statement under the above-mentioned method shall be included in other comprehensive income.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments

1. *Classification of financial assets and financial liabilities*

Financial assets are classified into the following four categories when initially recognized: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognized: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

2. *Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities*

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

The Company measures its financial assets at fair value subsequent to initial recognition, and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments, loans and receivables are measured at amortized costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by the delivery of the said equity instrument are measured at their costs.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

2. *Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities (Continued)*

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to "CASBE13 – Contingencies"; 2) the surplus after accumulative amortization as determined according to "CASBE14 – Revenues".

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured with the following methods: (1) Gains or losses, arising from the changes in fair value of financial asset or liability at its fair value through profit or loss, is included in gains or losses on changes in fair value; interests or cash dividends gained during the asset-holding period are recognized as investment income; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the initial recorded amount, at the same time, gains or losses on changes in fair value are adjusted accordingly. (2) For available-for-sale financial asset, changes in fair value are recorded as other comprehensive income during the holding period, interests measured at effective interest method are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognized as investment income at the date of dividend declaration; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the book value deducting the accumulative amount of changes in fair value originally included in other comprehensive.

Financial assets are derecognized when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

3. *Recognition criteria and measurement method of financial assets transfer*

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset to the transferee, it derecognizes the financial asset. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset, and the consideration received is recognized as a financial liability. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company gives up its control over the financial asset, it derecognizes the financial asset; (2) if the Company does not give up its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the book value of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally included in equity. If the transfer of financial asset partially satisfies the conditions to derecognition, the entire book value of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the book value of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in equity which is corresponding to the portion which is derecognized.

4. *Fair value determination method of financial assets and liabilities*

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

4. Fair value determination method of financial assets and liabilities (Continued)

- (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;
- (3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, and financial forecast developed using the Company's own data, etc.

5. Impairment test and provision for impairment loss of financial assets

- (1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.
- (2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

5. Impairment test and provision for impairment loss of financial assets (Continued)

(3) Available-for-sale financial assets

- 1) Objective evidence indicating that available-for-sale debt instrument investments may be impaired includes:
 - a. significant financial difficulties in the debtor;
 - b. breach of contract by the debtor, such as principal or interest past due or default;
 - c. concessions made to debtors with financial difficulties considering economic and legal factors;
 - d. it is highly probable that the debtor is going to dissolve or going through other terms of financial restructuring;
 - e. owing to significant financial difficulties occurred to the debtor, the debt instrument is discontinued to trade in active market; or
 - f. Other circumstances indicating that available-for-sale debt instrument may be impaired.
- 2) Evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or non-temporary decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which the Company may not be able to recover its investment cost.

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

5. Impairment test and provision for impairment loss of financial assets (Continued)

(3) Available-for-sale financial assets (continued)

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment is recognized at any excess of its carrying amount over the present value of future cash flows, and such impairment loss is not reversed upon recognition.

(X) Receivables

1. Receivables of individually significant amount and with provision made on an individual basis

Judgment basis or amount criteria of individually significant amount	Accounts receivable is considered individually significant if the amount is over RMB20,000,000 yuan; Other receivable is considered individually significant if the amount is over RMB5,000,000 yuan.
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Provision method for receivables of individually significant amount and with provision made on an individual basis	Individual impairment test, provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.
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2. Receivables with provision made on a collective basis using portfolios with similar credit risk features

(1) Specific portfolios and provision method

Provision method of provision being made on collective basis using portfolios with similar credit risk features

Basis for group determination	Provision methods for bad debts in group
Portfolio grouped with age	Age analysis method
Portfolio grouped with balance due from related parties	No provision for bad debts is made, if no impairment occurred after the impairment test

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Receivables (Continued)

2. *Receivables with provision made on a collective basis using portfolios with similar credit risk features (Continued)*

(2) *Age analysis method*

Ages	Proportion of provision for accounts receivable (%)
Within 3 months (third month inclusive, the same below)	0%
4–12 months	5%
1–2 years	25%
2–3 years	50%
Over 3 years	100%

3. *For other receivables, the Group adopts individual assessment to make bad debt provision.*

4. *Receivables of individually insignificant amount but with provision made on an individual basis*

Reasons for provision made on an individual basis Significant difference exists between the present value of the future cash flow of accounts receivable and the present value of the future cash flow of the account receivable combination with aging as the credit risk feature.

Provision method Provision for bad debts are made at the excess of the carrying amount of the receivables over the present value of the estimated future cash flows based on independent impairment test.

For other receivables such as notes receivable, interest receivable and long-term receivable, etc., provision for bad debts is made at the excess of the carrying amount of the receivables over the present value of the estimated future cash flows.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XI) Inventories

1. *Classification of inventories*

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials or suppliers etc. to be consumed in the production process or in the rendering of services.

2. *Accounting method for dispatching inventories:*

Inventories are recognized at the actual cost, and raw materials and goods on hand dispatched from storage are accounted for with weighted average method on a monthly basis.

3. *Basis for determining net realizable value*

At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. *Inventory system*

Perpetual inventory method is adopted.

5. *Amortization method of low-value consumables and packages*

Revolving materials (such as low-value consumables and packaging materials) shall be amortized in full amount or in equal installments.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Long-term equity investments

1. *Judgment of joint control and significant influence*

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. *Determination of investment cost*

- (1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investment and the carrying value of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the acquisition-date investment cost of long-term equity investments and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Long-term equity investments (Continued)

2. *Determination of investment cost (Continued)*

- (2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

- 1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.
- 2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying value of the acquirer’s previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plan of the acquiree.
- (3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE12 – Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE7 – Non-cash Assets Exchange”.

3. *Subsequent measurement and recognition method of gain or loss*

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Long-term equity investments (Continued)

4. Disposal of a subsidiary in stages resulting in the Company's loss of control

(1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is reclassified as available-for-sale financial assets, and accounted for according to CASBE 22 –Financial Instruments: Recognition and Measurement.

(2) Consolidated financial statements

- 1) Disposal of a subsidiary in stages not qualified as “bundled transaction” resulting in the Company's loss of control.

Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is re-measured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Long-term equity investments (Continued)

4. Disposal of a subsidiary in stages resulting in the Company's loss of control (Continued)

(2) Consolidated financial statements (Continued)

- 2) Disposal of a subsidiary in stages qualified as “bundled transaction” resulting in the Company's loss of control.

In case of “bundled transaction”, stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. Before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

(XIII) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Items	Depreciation method	Useful life (years)	Estimated residual value proportion	Annual depreciation rate
Buildings and structures	Straight-line method	30-50	3%	1.94%-3.23%
Machinery and other equipment	Straight-line method	8-22	3%-5%	4.32%-12.13%
Motor vehicles	Straight-line method	8	3%	12.13%

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIII) Fixed assets (Continued)

3. *Recognition and pricing principles of fixed assets rented-in under finance lease*

Finance lease is determined when one or a combination of the following conditions are satisfied: (1) the ownership has been transferred to the lessee when the leasing term is due; (2) the lessee has the option to purchase the leasing asset at a price that is much lower than its fair value, so it can be reasonably determined that the lessee will take the option at the very beginning of the lease; (3) the leasing term accounts for most time of the useful life (ordinarily accounting for 75% or higher) even if the ownership does not transfer to the lessee; (4) the present value of the minimum amount of rent that the lessee has to pay at the first day of the lease amounts to 90% or higher of its fair value at the same date; or the present value of the minimum amount of rent that the lessor collects at the first day of the lease amounts to 90% or higher of its fair value at the same date; and/or (5) the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Fixed assets rented-in under finance lease are recorded at the lower of fair value and the present value of the minimum lease payment at the inception of the lease, and are depreciated following the depreciation policy for self-owned fixed assets.

(XIV) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XV) Borrowing costs

1. *Recognition principle of borrowing costs capitalization*

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

2. *Borrowing costs capitalization period*

(1) The borrowing costs are not capitalized unless they following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. *Capitalization rate and capitalized amount of borrowing costs*

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVI) Intangible assets

1. Intangible asset is land use right. The initial measurement of intangible asset is based its cost.
2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use rights	50

3. Expenses for research and development of internal cases in the research stage shall be recorded into current profit and loss at the occurrence. As for an internal research and development project, expenditure incurred in the research phase is recognized in profit or loss in the period as incurred. Expenses incurred in the development stage are recognized as intangible assets if all of the following conditions are met: (1) the technical feasibility of completing the intangible asset so that it will be available for use or for sale; (2) the intention to complete the intangible asset for use or for sale; (3) how the intangible asset will generate economic benefits including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (5) the expenditures attributable to the development of the intangible asset could be reliably measured.

(XVII) Impairment of part of long-term assets

For long-term assets such as long-term equity investments, fixed assets, construction in progress, intangible assets with finite useful life, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of groups of assets.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as assets impairment loss through profit or loss.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. *Short-term employee benefits*

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

3. *Post-employment benefits*

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

- (1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

- (2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

- 1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;
- 2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Employee benefits (Continued)

3. *Post-employment benefits (Continued)*

- (2) Accounting treatment by the Company for defined benefit plan usually involves the following steps: (Continued)
 - 3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. Changes as a result of re-measurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

4. *Termination benefits*

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or 2) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

5. *Other long-term employee benefits*

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of re-measurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts are recognized in profit or loss or included in the cost of a relevant asset.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIX) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.
2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

(XX) Revenue

1. *Revenue recognition principles*

(1) *Sale of goods*

Revenue from sale of goods is recognized if, and only if, the following conditions are all satisfied: 1) significant risks and rewards of ownership of the goods is transferred to the buyer; 2) the Company retains neither continuing managerial involvement of ownership nor effective control over the goods sold; 3) the amount of revenue can be measured reliably; 4) it is probable that the economic benefits of the transaction will flow to the Company; and 5) the costs of the transaction incurred and to be incurred can be measured reliably.

(2) *Rendering of services*

When the outcome of the transaction can be estimated reliably (the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the transaction incurred and to be incurred can be measured reliably), revenue from rendering of services is recognized using the percentage of completion method, and the stage of completion is determined at the proportion of costs incurred to the estimated total costs. When the outcome of the transaction cannot be estimated reliably at the balance sheet date, revenue is recognized based on the amount of the costs incurred and the costs incurred are charged off at the same amount when the costs incurred are expected to be recoverable; and no revenue is recognized and the costs incurred are charged off as an expense of the period when the costs incurred are not expected to be recovered.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XX) Revenue (Continued)

1. Revenue recognition principles (Continued)

(3) Revenue arising from use by others of assets

Revenue arising from asset assignment is recognized if, and only if, it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's cash is used by others and the effective interest rate; and royalties are recognized according to the period and method of charging as specified in relevant contract or agreement.

2. Revenue recognition method adopted by the Company

Main products of the Company include steel plates, steel sections, wire rods and bar materials. Recognition of revenue from products sold in the domestic market shall meet the following conditions: i) the Company has already delivered the products to the buyer according to the contract agreement; ii) the revenue amount has been recognized; iii) the payment for goods has been received, or the receipt voucher has been obtained, and relevant economic benefits may flow into the Company; and iv) relevant product costs can be reliably measured.

Recognition of OEM business revenue requires the fulfillment of the following conditions: the products have been delivered by the Company to the principal as agreed in the contract and have been accepted by the principal; and the amount has been determined as to product sales revenue, the payment for goods has been received or the receiving vouchers obtained, relevant economic benefits likely to flow in and product-related costs able to be measured reliably.

(XXI) Government grants

1. Judgment criteria and accounting treatment method for asset-related government grants

The Group recognized a government grant which is used to construct or form a long term asset as a government grant related to an asset. The government grants related to assets are recognized as deferred revenue, and equally accounted into current profit or loss within the useful life of relevant assets with reasonable and systematic methods. The government grants measured according to the nominal amount shall be directly included in the current profits and losses. If relevant assets are sold, transferred, discarded or damaged prior to the expiry of the useful life, the undistributed balance of deferred income shall be transferred into the profits and losses of the current period.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXI) Government grants (Continued)

2. *Judgment criteria and accounting treatment method for revenue-related government grants*

The government grants other than the government grants related to assets are recognized as government grants related to revenue. The government grants pertinent to revenue used to compensate the related expenses or losses in subsequent periods are recognized as deferred income, and accounted into profits and losses of the current period when the related expenses or losses are recognized; the government grants used to compensate the related expenses or losses are directly included into profits or losses of the current period.

3. *Accounting treatment method for policy-related loan interest discounts*

- (1) The finance allocates the interest discount funds to the lending bank, and the lending bank offers loans for the company at a policy-related interest discount.
- (2) If the finance directly allocates the interest discount funds to the company, the corresponding loan interest will be used to offset the borrowing expenses.

(XXII) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.
2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.
3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXII) Deferred tax assets/Deferred tax liabilities (Continued)

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

(XXIII) Operating leases

1. *Operating leases*

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged into profit or loss in the periods in which they are incurred.

2. *Finance leases*

When the Company is the lessee, at the commencement of the lease term, lessees recognize finance leases as assets and liabilities in their balance sheets at amounts equal to the lower of fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease, and recognize the minimum lease payments as the entering value of long-term payable, and treat the difference of the two as unrecognized finance expense. Any initial direct costs of the lessee are added to the amount recognized as an asset. The effective interest method is used to recognize finance expense of the period during the lease term.

When the Company is the lessor, at the commencement of the lease, lessor recognizes the aggregate of minimum lease receipts and initial direct costs, each determined at the inception of the lease, as the entering value of finance lease receivables, and recognize the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values is recognized as unrealized finance income. The effective interest method is used to recognize finance income of the period during the lease term.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIV) Work Safety Fund

As for the work safety fund withdrawn in accordance with the Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds (Caiqi [2012] No.16) (《企業安全生產費用提取和使用管理辦法》(財企〔2012〕16號)) jointly issued by the Ministry of Finance and the State Administration of Work Safety, the Company has credited such funds to the cost of relevant products or profit or loss of the current period and recorded them in “Special Reserve”. In respect of utilizing work safety funds, when they are classified as revenue expenditures, specific reserve is directly offset. When fixed assets are incurred, they are included in “Construction in Progress” and recognized as fixed assets when the safety project is completed and attains the status of its intended use. They are then offset against specific reserve based on their cost while a corresponding amount is recognized in accumulated depreciation. Such fixed assets are no longer depreciated in subsequent periods.

(XXV) Critical accounting judgements and estimates

In the course of preparing financial statements, the Company has used estimates and assumptions, which may have effects on the application of accounting policies and amount of assets, liabilities, revenue and expenses. Concerning the discrepancy in practice, the Company performs ongoing assessment on key assumptions and key sources of estimation uncertainty. Effects arising from changes in accounting estimates are recognized at the period when such change occurs and subsequent period onwards.

Key sources of estimation uncertainty are:

1. *Recognition of deferred tax assets*

As stated in deferred tax assets/liabilities under Note III (XXII), deferred tax assets are recognized based on the deductible temporary difference (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) between the carrying amount and the tax base of assets or liabilities and the applicable tax rate at the time when such asset is collected or such liability is liquidated. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXV) Critical accounting judgements and estimates (Continued)

2. *Provision for bad debts*

As stated in receivables under Note III (X), the Company performs individual impairment test on receivables of individually significant amount and with provision made on an individual basis, and provision for bad debts is made on the difference between the present value of future cash flow and the carrying amount. For receivables using portfolios with similar credit risk features, provisions for bad debts is withdrawn according to its aging, but bad debt provisions shall not be withdrawn for receivables of related parties. For receivables of individually insignificant amount but with provision made on an individual basis, individual impairment test is performed and provision for bad debts is made at the difference between the present value of future cash flow and the carrying amount.

3. *Provision for inventory write-down*

As stated in inventories under Note III (XI), at the balance sheet date, inventories are measured at the lower of cost or net realizable value; provision for inventory write-down is made on the difference between the cost and the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. *Impairment of long-term assets*

As stated in impairment of part of non-current assets under Note III (XVII), for non-current assets such as long-term equity investments, fixed assets, construction in progress, intangible assets with finite useful life, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of group of assets. When the measurement result indicates that the recoverable amount of such non-current assets is lower than their carrying amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as assets impairment loss through profit or loss, and provision for impairment loss of assets is made accordingly.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVI) Significant changes in accounting policies

1. Changes in accounting policies caused by the changes in the Accounting Standards for Business Enterprises.

The Company implemented the ASBE No. 42 Held-for-sale Non-Current Assets, Disposal Group and Termination of Operation formulated by the Ministry of Finance as of 28 May 2017 and the revised ASBE No. 16-Government Grants as of 12 June 2017.

IV. TAXES

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	3%、6%、13%、17%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12%	1.2%、12%
City maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%、25%

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IV. TAXES (CONTINUED)

(I) Main taxes and tax rates (Continued)

Different enterprise income tax rates applicable to different taxpayers

Name of subject of taxation	Income tax rate
The Company	15%
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd. (靖江三峰鋼材加工配送有限公司)	25%
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	25%
Guizhou CIS Iron and Steel Sales Co., Ltd. (貴州重鋼鋼鐵銷售有限責任公司)	25%
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司)	25%
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)	25%

(II) Tax preferential policies

The preferential tax treatment pertaining to China's western development entitled by the Company had been expired on 31 December 2010. By the approval date of the Financial Statement, issued by the State Administration of Taxation ("SAT") in respect of the extension of preferential tax policies pertaining to China's western development, "companies located in the western region that fall into the catalogue of encouraged industries are subject to a reduced Corporate Income Tax rate of 15% from 1 January 2011 to 31 December 2020". The Company anticipates that it is most likely that such preferential policy will continue in the future, thus in this year, the Company's tax rates and preferential tax policies remain unchanged as compared to last year.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(I) Notes to items in consolidated balance sheets

1. Cash and bank deposits

(1) Details

Items	Closing balance	Opening balance
Cash on hand	749	747
Bank deposits	765,169	788,699
Other monetary funds	115,850	313,248
Total	881,768	1,102,694

(2) Other descriptions

At the end of the period, there are funds with use restriction, refer to Notes to the Financial Statements V (IV) for details.

2. Notes receivable

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Bank acceptance	7,349		7,349	19,435		19,435
Total	7,349		7,349	19,435		19,435

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

2. Notes receivable (Continued)

(2) Notes receivable has been endorsed or discounted but not yet due at the end of the period

Items	Amount derecognized at the end of the period	Amount remained recognized at the end of the period
Bank acceptance	758,133	
Sub-total	758,133	

The commercial bank is the acceptor of the bank acceptance. As the commercial bank has very high credit, it is of relatively low probability for the failure to pay at the maturity of the bank acceptance. Therefore, the Company derecognized with endorsed or discounted bank acceptance. If the bank acceptance is not paid at the maturity, the Company shall still bear joint liability for the holder according to relevant provisions of the Law of Negotiable Instrument.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

3. Accounts receivable

(1) Details

1) Details on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	445,258	99	165,037	37	280,221
Receivable of individually insignificant amount but with provision made on an individual basis	2,756	1	2,756	100	
Total	448,014	100	167,793	37	280,221

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

3. Accounts receivable (Continued)

(1) Details (Continued)

1) Details on categories (Continued)

Categories	Book balance		Opening balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	421,295	99	165,037	39	256,258
Receivable of individually insignificant amount but with provision made on an individual basis	2,756	1	2,756	100	
Total	424,051	100	167,793	40	256,258

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

3. Accounts receivable (Continued)

(1) Details (Continued)

- 2) In portfolios, accounts receivable with provision made on a collective basis with aging analysis method

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 3 months (third month inclusive)	13,861		
4–12 months (first year inclusive)	120,365	6,018	5
1–2 years	104,039	26,010	25
2–3 years	2,332	1,166	50
Over 3 years	131,843	131,843	100
Sub-total	372,440	165,037	44

- 3) In portfolios, accounts receivable with provision made on a collective basis with other method

Portfolios	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Accounts receivable of related parties	72,818		
Sub-total	72,818		

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

3. Accounts receivable (Continued)

(2) Aging Analysis

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 3 months (third month inclusive)	83,224		
4-12 months (first year inclusive)	122,270	6,011	5
1-2 years	104,198	25,578	25
2-3 years	3,722	1,861	50
Over 3 years	134,600	134,343	100
Total	448,014	167,793	37

(3) Accounts receivable provided for bad debts, collected or reversed for the period

No bad debt provision in the current period.

(4) Five largest accounts receivable by debtor

The subtotal of five largest accounts receivable of the Company at the end of the period is RMB259,943,000 yuan, representing 58% of the total accounts receivable, and the provision of bad debts is RMB41,905,000 yuan.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

4. Prepayments

(1) Aging Analysis

Ages	Closing balance			Opening balance		
	Book balance	Proportion (%)	Carrying amount	Book balance	Proportion (%)	Carrying amount
Within 1 year	46,709	90	46,709	31,987	86	31,987
1-2 years	1,910	4	1,910	1,843	5	1,843
2-3 years	1,762	3	1,762	1,762	5	1,762
Above 3 years	1,599	3	1,599	1,599	4	1,599
Total	51,980	100	51,980	37,191	100	37,191

(2) Five largest prepayments by debtor

The subtotal of five largest prepayments of the Company at the end of the period is RMB18,728,000 yuan, representing 36% of the total prepayments.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

5. Other receivables

(1) Details

1) Details on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision for bad debts proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	15,827	21	15,827	100	
Other receivables that were not impaired upon separate impairment test	55,363	77			55,363
Receivable of individually insignificant amount but with provision made on an individual basis	1,131	2	1,131	100	
Total	72,321	100	16,958	23	55,363

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

5. Other receivables (Continued)

(1) Details (Continued)

1) Details on categories (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision for bad debts proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	15,827	21	15,827	100	
Other receivables that were not impaired upon separate impairment test	58,099	77			58,099
Receivable of individually insignificant amount but with provision made on an individual basis	1,131	2	1,131	100	
Total	75,057	100	16,958	23	58,099

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

5. Other receivables (Continued)

(1) Details (Continued)

- 2) Receivables of individually significant amount and with provision made on an individual basis at the end of the period

Name of debtor	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
Chongqing Iron and Steel Industry and Trade (Zhanjiang) Company (湛江重鋼工貿公司)	10,240	10,240	100	Low collection possibility
Chongqing Special Steel Company Limited (重慶特殊鋼股份有限公司)	5,587	5,587	100	Low collection possibility
Sub-total	15,827			

(2) Other receivables categorised by nature

Nature of amount	Closing balance	Opening balance
Payment on account	46,069	43,464
Guarantee deposits and petty cash	14,718	14,778
Others	11,534	16,815
Total	72,321	75,057

(3) Five largest other receivables by debtor

The subtotal of five largest other receivables of the Company at the end of the period is RMB32,765,000 yuan, representing 45% of the total other receivables, and the provision of bad debts is RMB15,827,000 yuan.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

6. Inventories

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw material	1,079,591		1,079,591	386,939		386,939
Work-in-progress	276,455		276,455	106,933	35,265	71,668
Finished goods	119,431		119,431	17,202		17,202
Consigned processing materials	14,390		14,390			
Consumables	501,190	40,115	461,075	537,266	40,115	497,151
Total	1,991,057	40,115	1,950,942	1,048,340	75,380	972,960

(2) Provision for inventory write-down

1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Reversal or written-off	Others	
Work-in-progress	35,265			35,265		
Consumables	40,115					40,115
Sub-total	75,380			35,265		40,115

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

6. Inventories (Continued)

(2) Provision for inventory write-down (Continued)

- 2) Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventory write-down

Items	Determination basis for provision for inventory write-down	Reasons for the reversal or the write-off of provision for inventory write-down in the current period
Work-in-progress	The net realizable value lower than the Carrying amount	Relevant inventories used or disposed already

7. Other current assets

Items	Closing balance	Opening balance
VAT to be deducted	620	509
Total	620	509

8. Available-for-sale financial assets

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments	5,000		5,000	5,000		5,000
Wherein: measured by cost	5,000		5,000	5,000		5,000
Total	5,000		5,000	5,000		5,000

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

8. Available-for-sale financial assets (Continued)

(2) Available-for-sale financial assets measured at cost at the end of period:

Investees	Opening balance	Book balance		Closing balance
		Increase	Decrease	
Xiamen Shipbuilding Industry Co., Ltd (廈門船舶重工股份有限公司)	5,000			5,000
Sub-total	5,000			5,000

Investees	Opening balance	Provision for impairment		Closing balance	Shareholding proportion in investee (%)	Cash dividend in current period
		Increase	Decrease			
Xiamen Shipbuilding Industry Co., Ltd (廈門船舶重工股份有限公司)					2	
Sub-total					2	

9. Long-term equity investments

(1) Categories

Items	Book balance	Closing balance Provision for impairment	Carrying amount	Book balance	Opening balance Provision for impairment	Carrying amount
Total	129,104		129,104	131,015		131,015

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

9. Long-term equity investments (Continued)

(2) Details

Investees	Opening balance	Investments increased	Investments decreased	Increase/decrease	
				Investment income recognized under equity method	Adjustment in other comprehensive income
Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司) (Note)	131,015			-1,911	
Total	131,015			-1,911	

Investees	Changes in other equity	Increase/decrease			Closing balance	Closing balance of provision for impairment
		Cash dividend/profit declared for distribution	Provision for impairment	Others		
Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司)					129,104	
Total					129,104	

Note: In June 2016, the Company and POSCO jointly established Chongqing POSCO CISL automotive steel Co., Ltd. The registered capital of Chongqing POSCO CISL automotive steel Co., Ltd was RMB532,310,000, and the Company subscribed RMB260,831,900, accounting for 49% of the registered capital. In July 2016, the Company had made an initial capital contribution of RMB130,416,000.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

10. Fixed assets

(1) Details

Items	Buildings and structures	Machinery and other equipment	Transport facilities	Total
Cost				
Opening balance	13,665,518	21,315,073	21,501	35,002,092
Increase		178,513	218	178,731
1) Purchase			218	218
2) Transfer in from construction in progress		178,513		178,513
Decrease			270	270
1) Disposal or write off			270	270
Closing balance	13,665,518	21,493,586	21,449	35,180,553
Accumulated depreciation				
Opening balance	1,390,281	4,102,849	17,642	5,510,772
Increase	156,881	475,678	715	633,274
1) Accrual	156,881	475,678	715	633,274
Decrease			262	262
1) Disposal or write off			262	262
Closing balance	1,547,162	4,578,52	18,095	6,143,784
Provision for impairment (Note)				
Opening balance			56	56
Increase				
1) Provision				
Decrease				
1) Disposal or write off				
Closing balance			56	56
Carrying amount				
Closing balance	12,118,356	16,915,059	3,298	29,036,713
Opening balance	12,275,237	17,212,224	3,803	29,491,264

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

10. Fixed assets (Continued)

(2) Fixed assets rented-in under finance leases

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment				
Direct lease	574,000	60,740		513,260
Sub-total	574,000	60,740		513,260

(3) Fixed assets rented-out under operating leases

Items	Carrying amount at the end of the period
Buildings and structures	10,633
Sub-total	10,633

(4) Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reason for unsettlement
Workshop in Changshou district	1,274,631	Data in preparation
Sub-total	1,274,631	

(5) Other classification

For details of restrictions on the ownership of fixed assets, see Notes to financial statement V (IV) for details.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

11. Construction in progress

(1) Details

Projects	Closing balance		Opening balance		Carrying amount
	Cost	Provision for impairment	Cost	Provision for impairment	
Product restructuring project					
Equipment upgrade project	4,222		10,443		10,443
CIS – POSCO cold rolling steel project	1,581		302		302
Others	24,954		32,386		32,386
Total	30,757		43,131		43,131

(2) Changes in significant projects for the period

Name of project	Budgets	Opening balance	Increase	Transferred to fixed assets	Closing balance
Product restructuring project	6,771,591		91,064	91,064	
CIS – POSCO cold rolling steel project	3,893,140	302	1,279		1,581
Equipment upgrade project	742,474	10,443	56,379	62,600	4,222
Others		32,386	17,417	24,849	24,954
Sub-total	11,407,205	43,131	166,139	178,513	30,757

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

11. Construction in progress (Continued)

(2) Changes in significant projects for the period (Continued)

Name of project	Proportion of accumulated investment to budget (%)	Construction progress (%)	Accumulated Amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period	Capitalization rate in current period (%)	Source of fund
Product restructuring project	105	100				Loans from financial institutions and self-owned fund
CIS-POSCO cold rolling steel project	0.04					Loans from financial institutions and self-owned fund
Equipment upgrade project	108	99				Loans from financial institutions and self-owned fund
Others						
Sub-total						

12. Construction materials

Items	Closing balance	Opening balance
Equipment and construction materials		15,126
Total		15,126

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

13. Intangible assets

(1) Details

Items	Land use right	Total
Cost		
Opening balance	2,942,233	2,942,233
Increase		
Decrease		
Closing balance	2,942,233	2,942,233
Accumulated amortization		
Opening balance	293,649	293,649
Increase	31,840	31,840
1) Accrual	31,840	31,840
Decrease		
Closing balance	325,489	325,489
Provision for impairment		
Opening balance		
Increase		
Decrease		
Closing balance		
Carrying amount		
Closing balance	2,616,744	2,616,744
Opening balance	2,648,584	2,648,584

(2) Analysis on the carrying amount of the land use right

Items	Closing balance	Opening balance
Except Hong Kong	2,616,744	2,648,584
Wherein: mid-term lease	2,616,744	2,648,584
Sub-total	2,616,744	2,648,584

(3) For details of the restrictions on the ownership of intangible assets, see Notes to financial statement V(IV).

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

14. Deferred Tax Asset

(1) Unrecognized Deferred Tax Asset

Items	Closing Balance	Opening balance
Deductible Losses	9,652,073	9,737,288
Employee termination benefits	251,935	276,634
Assets Impairment	224,921	260,187
Accrued Litigation Interest	110,049	110,049
Accrued Liability		52,177
Others	619,454	471,920
Sub-total	10,858,432	10,908,255

(2) Maturity of Deductible Losses within the unrecognized deferred tax asset

Year	Closing Balance	Opening balance
2016		946,945
2017	363,526	363,526
2018	2,799,585	2,799,585
2019	465,978	465,978
2020	1,507,869	1,507,869
2021	3,653,385	3,653,385
2022	861,730	
Sub-total	9,652,073	9,737,288

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

15. Other non-current assets

Items	Closing balance	Opening balance
Guarantee for finance lease	40,200	40,200
VAT to be deducted	1,414,262	1,611,738
Others	5,250	5,250
Total	1,459,712	1,657,188

16. Short-term borrowings

Items	Closing balance	Opening balance
Mortgage loans	291,299	
Guaranteed loans (Note)	5,496,909	5,362,587
Unsecured loans	315,000	338,000
Total	6,103,208	5,700,587

Note: At the end of period, guaranteed loans are guaranteed by Chongqing Iron & Steel Group (CISG), refer to Notes to the Financial Statements IX (II) 3 for details.

17. Notes payable

Items	Closing balance	Opening balance
Commercial acceptance bills	30,877	651,360
Bank acceptance bills (Note)	410,000	981,350
Total	440,877	1,632,710

Note: At the end of period, bank acceptance are guaranteed by Chongqing Iron & Steel Group (CISG), refer to Notes to the Financial Statements IX (II) 3 for details.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

18. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Accounts payable for goods and services	9,300,455	7,043,927
Accounts payable for construction and equipment	2,286,017	2,341,099
Total	11,586,472	9,385,026

(2) Aging analysis

Ages	Closing balance	Opening balance
Within 1 year	3,549,377	2,917,169
1–2 years	3,720,442	2,471,765
2–3 years	1,553,430	1,796,277
Over 3 years	2,763,223	2,199,815
Total	11,586,472	9,385,026

(3) Significant accounts payable with age over one year

Items	Closing balance	Reasons for unsettlement
Accounts payable for goods and services	6,050,581	Temporarily not paid
Accounts payable for construction and equipments	1,986,514	Temporarily not paid
Sub-total	8,037,095	

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

19. Receipts in advance

Items	Closing balance	Opening balance
Payment for goods	641,436	1,014,762
Total	641,436	1,014,762

20. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease		Closing balance
			Payment	Other (note)	
Short-term employee benefits	221,543	327,638	261,001	17,172	271,008
Post-employment benefits – defined contribution plans	282,894	48,401	9,695	-17,172	338,772
Termination benefits	56,818				56,818
Total	561,255	376,039	270,696		666,598

Note: Other comprises withholding employee pension fund and individual housing fund.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

20. Employee benefits payable (Continued)

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease		Closing balance
			Payment	Other	
Wage, bonus, allowance and subsidy	19,707	249,006	210,358	42,192	16,163
Employee welfare fund		3,846	3,846		-
Social insurance premium	71	36,500	36,488		83
Including: Medical insurance premium	48	22,169	22,170		47
Supplementary medical insurance premium	5	7,340	7,340		5
Large amount medical Insurance premium	8	3,696	3,675		29
Work-related injury insurance premium	9	2,032	2,040		1
Maternity insurance premium	1	1,263	1,263		1
Housing fund	181,611	29,591	6,666	-25,020	229,556
Labor union fund and employee education fund	19,869	8,649	3,459		25,059
Others	285	46	184		147
Sub-total	221,543	327,638	261,001	17,172	271,008

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

20. Employee benefits payable (Continued)

(3) Details of defined contribution plans

Items	Opening balance	Increase	Decrease		Closing balance
			Payment	Other	
Basic pension insurance premium	282,893	47,148	8,442	-17,172	338,771
Supplementary pension insurance premium					
Unemployment insurance premium	1	1,253	1,253		1
Sub-total	282,894	48,401	9,695	-17,172	338,772

Pursuant to the Labor Law of the People's Republic of China and relevant laws and regulations, the Company and its subsidiaries in the People's Republic of China participated in defined contribution retirement schemes for its employees. The local government authorities are responsible for the entire pension obligations payable to retired employees who reach retirement age pursuant to relevant regulations or quit the work force due to other reasons. The Company and its subsidiaries have no other obligation to make payment in respect of pension benefits.

21. Tax payable

Items	Closing balance	Opening balance
Value-added tax (VAT)	60	22
Housing property tax		191
Stamp duty	1,074	
Others	3	22
Total	1,137	235

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

22. Interests payable

Items	Closing balance	Opening balance
Interest of borrowings	146,767	106,680
Interest of corporate bonds		10,333
Total	146,767	117,013

23. Other payables

Items	Closing balance	Opening balance
Payment on account and interest	5,768,744	4,129,270
Guarantee deposits	23,463	23,413
Others	59,844	49,698
Total	5,852,051	4,202,381

24. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term loans due within one year	2,999,072	1,506,504
Long-term bonds payable due within one year		1,994,029
Long-term payables due within one year	63,944	4,000
Total	3,063,016	3,504,533

25. Other current liabilities

Items	Closing balance	Opening balance
Deferred income – government grants	6,865	6,865
Deferred income – unrealized income of sale- and-leaseback transactions	5,366	5,366
Total	12,231	12,231

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

26. Long-term borrowings

(1) Details

Items	Closing balance	Opening balance
Mortgage and guaranteed loans	7,060,880	7,779,456
Guaranteed loans	501,000	1,294,000
Total	7,561,880	9,073,456

Note: At the end of period, guaranteed loans with an amount of RMB7,285,000,000 yuan are guaranteed by Chongqing Iron & Steel Group (CISG), refer to Notes to the Financial Statements IX (II) 3 for details.

(2) Analysis of long-term borrowings maturity dates

Items	Closing balance	Opening balance
Within 1 year	2,999,072	1,506,504
1–2 years	1,586,880	2,192,000
2 to 5 years	5,085,000	5,191,456
Over 5 years	890,000	1,690,000
Sub-total	10,560,952	10,579,960
Wherein: Long-term loans due within one year	2,999,072	1,506,504
Long-term loans due over one year	7,561,880	9,073,456

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

27. Debentures payable

Items	Closing balance	Opening balance
Chongqing Iron & Steel Company Limited 2010 Company Debentures		
Total		

Note: The principal and interest of the bond have been repaid on June 26, 2017, refer to Notes to the Financial Statements XIII (5) for details.

28. Long-term payable

Items	Closing Balance	Opening balance
Financial lease payable	2,098	61,944
Sub-total	2,098	61,944

29. Long-term employee benefits payable

Items	Closing balance	Opening balance
Termination benefits	251,935	276,634
Wherein: Total amount	284,864	309,563
Unrecognized financing charges	-32,929	-32,929
Total	251,935	276,634

30. Provisions

Items	Closing Balance	Opening balance
Contract Loss to be implemented		52,177
Sub-total		52,177

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

31. Deferred income

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	97,376		2,678	94,698	Government grants
Unrealized income of sale-and-leaseback transactions	89,181		3,432	85,749	Sale-and-leaseback transactions
Sub-total	186,557		6,110	180,447	
Less: Deferred income expected to be realized within one year	12,231			12,231	
Total	174,326			168,216	

(2) Details of government grants

Items	Opening balance	Increase	Recognition during the period as other income	Other movements	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	58,188		1,553		56,635	Related to assets
Grants for recycle heat power station	39,188		1,125		38,063	Related to assets
Sub-total	97,376		2,678		94,698	

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

32. Other non-current liabilities

(1) Details

Items	Closing Balance	Opening balance
Loans from non-financial institutions	1,106,100	776,618
Sub-total	1,106,100	776,618

(2) Other descriptions

In July 2015, the Company entered into a Cooperation Agreement with Chongqing Equity Investment Fund Partnership for Strategic Emerging Industries (重慶戰略性新興產業股權投資基金合夥企業) (hereinafter referred to as the "Industrial Fund Business"). Pursuant to the Agreement, the Company will transfer to the Industrial Fund Business the equity income rights of the Company's 23.28% equities held in Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司) (hereinafter referred to as the "Subject Equities") and of the Company's 42.75% equities held in Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司) (hereinafter referred to as the "Subject Equities"). Both parties have agreed on a consideration of RMB752,436,000 yuan for the transfer of the equity income rights. Also pursuant to the Cooperation Agreement, the Industrial Fund Business is entitled to requiring the future transfer of the abovementioned Subject Equities to it and the Company shall comply unconditionally; both parties agree upon negotiation that the Company is entitled to repurchasing the Subject Equities or their income rights, at a rate of 6.5% per annum. In the meantime, the Company shall pledge its 46.55% equities held in Chongqing POSCO CISL automotive steel Co., Ltd and the 85.5% equities held in Chongqing CISL high strength cold rolling steel Co., Ltd to the Industrial Fund Business. Pledge registration procedures were completed for the 85.5% equities in November 2016 and for the 46.55% equities in January 2017. Chongqing Iron & Steel (Group) Co., Ltd. provides joint liability guarantee for the obligations under the Cooperation Agreement.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

33. Share capital

Items	Variation in the current period (decrease represented with "-")						Closing balance
	Opening balance	New shares issued	Bonus shares	Reserve transferred to shares	Other	Sub-total	
Restricted shares							
Shares held by domestic legal persons							
Shares held by domestic natural person							
Unrestricted shares	4,436,023						4,436,023
A share	3,897,896						3,897,896
H share	538,127						538,127
Total	4,436,023						4,436,023

34. Capital reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	6,341,095			6,341,095
Other capital reserves	813,108	8,508		821,616
Total	7,154,203	8,508		7,162,711

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

34. Capital reserve (Continued)

(2) Other descriptions

The reasons of increase in other capital reserves in current period as below.

Received pending deduct VAT amounts RMB8,508,000 yuan, that's more than the agreed amount between the company and the Chongqing iron & steel group from the major restructuring. And it was included in the capital reserve as a donation from CISG.

35. Special reserve

Items	Opening balance	Increase	Decrease	Closing balance
Safe production reserve		9,332	9,332	
Total		9,332	9,332	

36. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	606,991			606,991
Total	606,991			606,991

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in consolidated balance sheets (Continued)

37. Retained earnings

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	-12,397,711	-7,711,755
Adjustment of opening balance (increase+, decrease-)		
Opening balance after adjustment	-12,397,711	-7,711,755
Add: Net profit attributable to the shareholders of the parent company	-998,482	-1,790,343
Less: Appropriation to Statutory surplus reserve		
Dividend payable on ordinary shares		
Closing balance	-13,396,193	-9,502,098

(II) Notes to items in consolidated income statement

1. Operating revenue and operating costs

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from principal activities	4,510,687	4,409,460	2,777,536	3,428,357
Revenue from other operations	11,040	3,357	11,876	4,342
Total	4,521,727	4,412,817	2,789,412	3,432,699

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items in consolidated income statement (Continued)

2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Housing property tax (Note)	16,530	
Land use tax (Note)	21,249	
Stamp duty (Note)	1,779	
City maintenance and construction tax	11	31
Education surcharges	6	20
Business tax		52
others	204	74
Total	39,779	177

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Labor cost	4,873	9,231
Transportation expenses	14,406	40,482
Ship inspection expenses		36,443
Others	4,402	18,949
Total	23,681	105,105

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items in consolidated income statement (Continued)

4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Repair Cost	188,420	203,466
Termination benefits	187,714	235,590
Labor Cost	65,939	48,401
Amortization of intangible assets	31,840	31,840
Taxes	40	39,107
Audit and consulting expenses	2,208	2,657
Other	56,495	40,632
Total	532,656	601,693

5. Financial Expenses

Items	Current period cumulative	Preceding period comparative
Interest Expenses	539,309	527,737
Wherein: Interest of bank loans, overdrafts and other loans that must be paid off within five years	517,262	396,025
Interest of other loans may not be paid off within five years	22,047	131,712
Interest Income	-7,146	-7,058
Others	-16,604	23,055
Wherein: Net exchange loss	-18,219	19,465
Total	515,559	543,734

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items in consolidated income statement (Continued)

6. Impairment losses on assets

Items	Current period cumulative	Preceding period comparative
Bad debts loss		13,487
Total		13,487

7. Investment Income

(1) Details

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-1,911	
Total	-1,911	

(2) Investment income from non-listed companies and listed companies

Items	Current period cumulative	Preceding period comparative
Investment income from non-listed companies	-1,911	
Total	-1,911	

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items in consolidated income statement (Continued)

8. Other income

Items	Current period cumulative	Preceding period comparative
Government Grants	6,286	
Subtotal	6,286	

(2) Details on Government Grants

Items	Current period cumulative	Preceding period comparative	Related to assets/income
Grants for environmental protection, energy-saving emission reduction and development of new products			Related to income
Post stabilization subsidies	3,588		Related to income
Amortization of special funds for environmental governance	1,553		Related to assets
Amortization of grants for recycle heat power station	1,125		Related to assets
Others	20		Related to income
Subtotal	6,286		

Note: The Company implemented the revised ASBE No. 16-Government Grants and adopted and adopted the prospective application method as of 12 June 2017; government grants related to daily activities of the Company from January to June 2017 will be accounted in other incomes.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items in consolidated income statement (Continued)

9. Non-operating income

(1) Details

Items	Current period cumulative	Preceding period comparative	Amount recognized as current non-recurring profit or loss
Gains on the disposal of non-current assets	17	12	17
Wherein: Gains on the disposal of fixed assets	17	12	17
Government grants (Note)		115,985	
Others	78	1,172	78
Total	95	117,169	95

Note: The Company implemented the revised ASBE No.16 – Government Grants and adopted and adopted the prospective application method as of 12 June 2017; government grants related to daily activities of the Company from January to June 2017 will be accounted in other incomes.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items in consolidated income statement (Continued)

9. Non-operating income (Continued)

(2) Details of government grants

Items	Current period cumulative	Preceding period comparative	Related to assets/income
Grants for environmental protection, energy-saving emission reduction and development of new products		107,730	Related to income
Post stabilization subsidies		5,696	Related to income
Amortization of special funds for environmental governance		1,398	Related to assets
Amortization of grants for recycle heat power station		1,125	Related to assets
Others		36	Related to income
Subtotal		115,985	

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items in consolidated income statement (Continued)

10. Non-operating expenses

Items	Current period cumulative	Preceding period comparative	Amount recognized as current non-recurring profit or loss
Loss on disposal of non-current assets	11		11
Wherein: loss on disposal of fixed asset	11		11
Others	515	7	515
Total	526	7	526

11. Income tax expenses

Items	Current period cumulative	Preceding period comparative
Current income tax expenses	2	12
Total	2	12

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes to items of the consolidated cash flow statement

1. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Supplementary Information	Current period cumulative	Preceding period comparative
1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	-998,823	-1,790,333
Add: Impairment losses on assets		13,487
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	633,274	623,773
Amortization of intangible assets	31,840	31,840
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains represented with "-")	-7	-12
Losses on retirement of fixed assets (gains represented with "-")		
Losses on changes in fair value (gains represented with "-")		
Financial expenses (gains represented with "-")	515,481	531,668
Investment losses (gains represented with "-")	1,911	
Decrease in deferred tax assets (increase represented with "-")		
Increase in deferred tax liabilities (decrease represented with "-")		
Decrease in inventories (increase represented with "-")	-958,960	564,982
Decrease in operating receivables (increase represented with "-")	169,146	-46,093
Increase in operating payables (decrease represented with "-")	524,115	-386,273
Others		
Net cash flow from operating activities	-82,023	-456,961

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes to items of the consolidated cash flow statement (Continued)

1. Supplement information to the cash flow statement (Continued)

(1) Supplement information to the cash flow statement (Continued)

Supplementary Information	Current period cumulative	Preceding period comparative
2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
3) Net changes in cash and cash equivalents:		
Cash at the end of the period	753,332	233,116
Less: cash at the beginning of the period	745,447	32,376
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	7,885	200,740

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes to items of the consolidated cash flow statement (Continued)

1. Supplement information to the cash flow statement (Continued)

(2) Components of cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	753,332	745,447
Wherein: Cash on hand	749	747
Bank deposit available on demand for payment	752,583	744,700
Other monetary funds available on demand for payment		
2) Cash equivalents		
Wherein: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	753,332	745,447
Wherein: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

(3) Amount of endorsement of commercial bills not involved in cash inflow or outflow

Items	Current period cumulative
Endorsement amount of commercial bills	348,959
Wherein: Payment for goods	329,629
Payment for acquisition of fixed assets and other long-term assets	9,966
Other	9,364

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Others

1. Assets with restricted ownership or right of use

Items	Carrying amount at the end of the period	Reasons for restriction
Cash and bank deposits	12,586	Frozen Accounts
Cash and bank deposits	113,850	Guarantee deposit for Notes
Cash and bank deposits	2,000	Guarantee deposit for Pledged loans
Fixed assets	10,388,773	Bank loan mortgage
Fixed assets	513,260	Financial leasing
Fixed assets	420	Court seizure
Intangible Assets	2,341,432	Bank loan mortgage
Intangible Assets	88,713	Court seizure
Available for sale financial assets (<i>note</i>)	5,000	Frozen equity by court
Long term equity investment		Refer to Notes to financial statements V (I) 32

Note: Since the Company failed to make the payment after the People's Court of Dadukou District, Chongqing made a judgment of the contractual dispute between the Shanghai Zhiyi International Trade Co., Ltd. (上海致邑國際貿易有限公司) and the Company, Shanghai Zhiyi International Trade Co., Ltd. applied to the court for compulsory execution, and the People's Court of Dadukou District, Chongqing froze the 2% equity of Xiamen Shipbuilding Industry Co., Ltd held by the Company. On 3 March 2017, the Company received the execution ruling from the People's Court of Dadukou District, Chongqing, ordering that the Company shall auction the aforesaid equity.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Others (Continued)

2. Foreign currency monetary items

(1) Details

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank deposits			
Wherein: USD	11,060	6.7744	74,925
HKD	40	0.8679	35
Short-term borrowings			
Wherein: USD	43,000	6.7744	291,299
Non-current liabilities due within one year			
Wherein: USD	80,000	6.7744	541,952

VI. CHANGES IN THE CONSOLIDATED SCOPE

Reductions in the consolidation scope

In April 2017, the company has liquidated its subsidiary: Xi'an CIS Sales Co., Ltd

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

VII. INTERESTS IN OTHER ENTITIES

(I) Interest in significant subsidiaries

1. Composition of significant subsidiaries

Name of the subsidiary	Main operating place	Place of registration	Business nature	Share holding proportion		Acquisition method
				Direct	Indirect	
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd (靖江三峰鋼材加工配送有限公司)	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Steel processing and distribution industry	72.86%		Capital contribution to establish
Jingjiang CIS Huadong Trading Co., Ltd (靖江重鋼華東商貿有限公司)	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Trade industry	100%		Capital contribution to establish
Guizhou CIS Iron and Steel Sales Co., Ltd (貴州重鋼鋼鐵銷售有限責任公司)	Guiyang, Guizhou Province	Guiyang, Guizhou Province	Trade industry	100%		Capital contribution to establish
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司)	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Trade industry	100%		Capital contribution to establish
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Steel manufacturing, research and development services	90%		Capital contribution to establish

2. Significant non-wholly-owned subsidiaries

Name of the subsidiary	Share holding proportion of non-controlling interest	Profit or loss attributable to non-controlling interest	Dividend declared to non-controlling interest	Closing balance of non-controlling interest
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)	10%	-186		73,606

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

(I) Interest in significant subsidiaries (Continued)

3. Main financial information of significant non-wholly-owned subsidiaries

(1) Information of assets and liabilities

Name of the subsidiary	Current assets	Non-current assets	Closing balance		
			Total assets	Current liabilities	Non-current liabilities
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)	735,108	1,581	736,689	629	629

Name of the subsidiary	Current assets	Non-current assets	Opening balance		
			Total assets	Current liabilities	Non-current liabilities
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)	738,399	302	738,701	774	774

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

(I) Interest in significant subsidiaries (Continued)

3. Main financial information of significant non-wholly-owned subsidiaries (Continued)

(2) Information of profit or loss and cash flows

Name of the subsidiary	Operating revenue	Current period cumulative		Cash flows from operating activities
		Net profit	Total comprehensive income	
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)		-1,867		-257

Name of the subsidiary	Operating revenue	Preceding period comparative		Cash flows from operating activities
		Net profit	Total comprehensive income	
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)				

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

(II) Interest in joint venture

1. Significant joint ventures

Name of the joint ventures	Main operating place	Place of registration	Business nature	Share holding proportion (%)		Accounting treatment
				Direct	Indirect	
Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司)	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Steel manufacturing, research and development services	49%		Equity method

2. Main financial information of significant joint ventures

Items	Closing balance/current period cumulative Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司)	Opening balance/preceding period comparative Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司)
Current assets	260,785	266,445
Non-current assets	3,180	1,536
Total assets	263,965	267,981
Current liabilities	487	602
Total liabilities	487	602
Equity attributable to owners of parent company	263,478	267,379
Proportionate share in net assets	129,104	131,015
Carrying amount of investments in joint ventures	129,104	131,015
Operating revenue		
Net profit	-3,970	
Total comprehensive income	-1,911	
Dividend from joint ventures received in current period		

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company's risk management objective is to obtain a balance between risks and benefits, minimize adverse impacts of relevant risks on the Company, and maximize the interest of its shareholders and other equity investors. Based on these objectives, the basic strategies are to identify and analyze all potential risks related to the Company, to set appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

The Company is faced with a variety of risks related to financial instruments in the daily activities, mainly including credit risk, liquidity risk and market risk. The management deliberated and approved the management policy for these risks.

(I) Credit risk

Credit risk refers to the risk that a party of the financial instruments suffers from financial losses due to the other party's failure to perform relevant obligations.

The Company's credit risk mainly comes from bank deposits and receivables. To control above risks, the Company took the following measures:

1. *Bank deposits*

The Company deposits its bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

2. *Receivables*

The Company will execute credit assessment for the clients who uses credit settlement on a continuous basis. Based on the credit assessment results, the Company will choose to transact with those clients authorized, credible and well-reputed, and conducts ongoing monitoring on receivables, to avoid significant risks in bad debts.

As the Company only conducts business with authorized, credible and well-reputed third parties, normally, the Group does not obtain collateral from customers. The Company manages credit risk aggregated by customers. As at 30 June 2017, 58% of the Company's accounts receivable (59% on 31 December 2016) are due from the five largest customers of the Company. The Company does not hold any guaranty or other credit enhancements for the balance of accounts receivable.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (Continued)

2. Receivables (Continued)

- (1) Analysis of receivables neither past due nor impaired and receivables past due but not impaired are as follows:

Items	Neither past due nor impaired	Closing balance			Total
		within 1 year	1–2 years	Over 2 years	
Notes receivable	7,349				7,349
Accounts receivable	83,224	58,450	8,158	1,391	151,223
Other receivables	55,363				55,363
Sub-total	145,936	58,450	8,158	1,391	213,935

- (2) Please refer to notes “receivables” of consolidated financial statements for details of receivables with provision for impairment made on individual basis.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

The Company and its subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the board of directors of the Company when the borrowings exceed certain predetermined levels of authority). The Company's liquidity management method is to make sure enough liquidity for the performance of matured debts, so as not to cause any unacceptable loss or any damage to its reputation. As at 30 June 2017, the Company's current liabilities exceeded current assets by RMB25,129,452,000 yuan (2016: the current liabilities exceeded current assets by RMB23,683,587,000 yuan). The management of the Company planned to take a series of measures to guarantee the ability to continue as a going concern, and reduce the liquidity risk as seen in the Notes to the Financial Statements II (II).

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(II) Liquidity risk (Continued)

Classification of financial liabilities based on the rest maturity date

Items	Carrying amount	Undiscounted contract amount	Closing balance			
			within 1 year	1-2 years	2 to 5 years	Over 5 years
Short-term borrowings	6,103,208	6,206,102	6,206,102			
Notes payable	440,877	440,877	440,877			
Interests payable	146,767	146,767	146,767			
Accounts payable	11,586,472	11,586,472	11,586,472			
Other payables	5,852,051	5,865,404	5,865,404			
Non-current liabilities due within one year	3,063,016	3,183,016	3,183,016			
Long-term borrowings	7,561,880	8,785,095	355,348	2,146,801	5,383,029	899,917
Long-term payable	2,098	2,098	2,098			
Other non-current liabilities	1,106,100	1,204,721	402,573	48,908	753,240	
Sub-total	35,862,469	37,420,552	28,188,657	2,195,709	6,136,269	899,917

Items	Carrying amount	Undiscounted contract amount	Opening balance			
			within 1 year	1-2 years	2 to 5 years	Over 5 years
Short-term borrowings	5,700,587	5,823,961	5,823,961			
Notes payable	1,632,710	1,632,710	1,632,710			
Interests payable	117,013	117,013	117,013			
Accounts payable	9,385,026	9,385,026	9,385,026			
Other payables	4,202,381	4,239,777	4,239,777			
Non-current liabilities due within one year	3,504,533	3,556,877	3,556,877			
Long-term borrowings	9,073,456	10,582,393	448,917	2,809,899	5,586,891	1,736,686
Long-term accounts payables	61,944	63,431		63,431		
Other non-current liabilities	776,618	923,343	73,091	48,908	801,344	
Sub-total	34,454,267	36,324,531	25,277,372	2,922,238	6,388,235	1,736,686

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(III) Market risk

Market risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market price variation. Market risk mainly includes interest risk and foreign exchange risk.

1. Interest risk

Interest risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market interest variation. The market interest rate variation risk faced by the Company mainly correlated with its loans with the interest measured by the floating interest rate.

As at 30 June 2017, balance of borrowings with interest accrued at floating interest rate totaled RMB11,892,211,000 yuan (RMB11,131,595,000 yuan on 31 December 2016). If the interest rates increase/decrease 50 basis points with all other variables unchanged, the financial effect on the Company would be a/an decrease/increase of RMB136,078,000 yuan (31 December 2016: a/an decrease/increase of RMB155,676,000 yuan) in equity, a/an decrease/increase of RMB136,078,000 yuan (In 2016: a/an decrease/increase of RMB155,676,000 yuan) in net profit.

2. Foreign exchange risk

Foreign exchange risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the variation in the foreign exchange rate. Foreign exchange risk faced by the Company is mainly correlated with its monetary assets and liabilities in foreign currency. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Please refer to notes “foreign currency monetary items” of consolidated financial statements for details of foreign currency financial assets and liabilities at the end of the period.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS

(I) Information about related parties

1. Information about Parent company

(1) The parent company

Name of the parent company	Place of registration	Business nature	Registered capital	Shareholding proportion over the Company (%)	Voting right proportion over the Company (%)
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	Chongqing	Sintering, iron smelting, steel smelting and rolling and the by-products of iron and steel, mining and processing, machinery, electronic, construction, transportation by automobile, refractory materials	1,650,706	47.27	47.27

Chongqing State-Owned Assets Supervision and Administration Commission is the ultimate controlling party of the Company.

2. Please refer to notes "Interests in other entities" of consolidated financial statements for details of the Company's subsidiaries.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Information about related parties (Continued)

3. Information about other related parties of the Company

(1) Other related parties of the Company

Name of the other related parties	Relationship between the Company and the other related parties
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Significant impacted by the parent company
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Yingsite Mould Company Limited (重慶鋼鐵集團英斯特模具有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Subsidiaries under the control of the parent company
Chongqing Donghua Special Steel Company Limited (重慶東華特殊鋼有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Hongfa Real Estate Development Company (重慶宏發房地產開發公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Subsidiaries under the control of the parent company

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Information about related parties (Continued)

3. Information about other related parties of the Company (Continued)

(1) Other related parties of the Company (Continued)

Name of the other related parties	Relationship between the Company and the other related parties
Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Export and Import Company Limited (重鋼進出口公司)	Subsidiaries under the control of the parent company
Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	Subsidiaries under the control of the parent company
Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	Subsidiaries under the control of the parent company
San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Wuxia Mining Industry Incorporated Company (重慶巫峽礦業股份公司)	Subsidiaries under the control of the parent company
Chongqing Xingang Loading and Transportation Company Limited (重慶新港裝卸運輸有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group General Hospital (重鋼總醫院)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Steel Company Limited (重慶鋼鐵集團鋼鐵業有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited (重慶鋼鐵集團中興實業有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group television station (重慶鋼鐵集團電視臺)	Subsidiaries under the control of the parent company
Chongqing steel structure industry Company Limited (重慶鋼結構產業有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Refractory material Company Limited (重慶鋼鐵集團耐火材料有限責任公司)	Subsidiaries under the control of the parent company

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about related party transactions

1. Purchase and sales of goods, rendering and receiving of services

(1) Details

1) Purchase of goods and receiving of services (excluding tax)

Related party	Content of transaction	Current period cumulative	Preceding period comparative
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Purchase of goods	96,628	82,428
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Purchase of goods, receiving of services	162,774	128,576
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Purchase of goods, receiving of services	50,487	45,004
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Purchase of goods, receiving of services	42,949	194,808
Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	Purchase of goods, receiving of services	37,009	53,246
Chongqing Iron & Steel Group Transportation Company limited (重慶鋼鐵集團運輸有限責任公司)	Purchase of goods, receiving of services	25,072	28,984
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Purchase of goods, receiving of services	23,600	3,575
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Purchase of goods, receiving of services	22,816	21,077
San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	Purchase of goods, receiving of services	9,732	2,566
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Receiving of services	7,709	9,453
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Purchase of goods, receiving of services	4,563	766
Chongqing Sanhuan Construction Management & Consulting Co.,Ltd (重慶三環建設監理諮詢有限公司)	Purchase of goods, receiving of services	4,094	2,431

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about related party transactions (Continued)

1. Purchase and sales of goods, rendering and receiving of services (Continued)

(1) Details (Continued)

1) Purchase of goods and receiving of services (excluding tax) (Continued)

Related party	Content of transaction	Current period cumulative	Preceding period comparative
Chongqing Iron & Steel Group Refractory material Company Limited (重慶鋼鐵集團耐火材料有限責任公司)	Purchase of goods	2,951	
Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	Purchase of goods, receiving of services	2,728	12,655
Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)	Purchase of goods	305	210
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Purchase of goods, receiving of services	208	806
Chongqing Xingang Loading and Transportation Company Limited (重慶新港裝卸運輸有限公司)	Purchase of goods, receiving of services	114	333
Chongqing Iron & Steel Group General Hospital (重鋼總醫院)	Receiving of services	2	136
Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	Purchase of goods		238,140
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	Purchase of goods		706
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	Purchase of goods, receiving of services		83
Total		493,741	825,983

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about related party transactions (Continued)

1. Purchase and sales of goods, rendering and receiving of services (Continued)

(1) Details (Continued)

2) Sale of goods and rendering of services (Excluding tax)

Related party	Content of transaction	Current period cumulative	Preceding period comparative
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Sale of energy, rendering of service	117,096	97,942
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Sale of energy	24,827	14,413
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Sale of energy	4,004	4,814
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Sale of energy	2,683	33,070
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Sale of energy, steel	827	2,028
Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	Sale of energy	783	133
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Sale of energy, rendering of service	585	336
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Sale of energy, steel	275	5,118
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Sale of energy, rendering of service	231	72
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Sale of steel	75	26
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	Sale of energy	58	185
Chongqing Iron & Steel Group television station (重慶鋼鐵集團電視臺)	rendering of service	3	
Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	rendering of service	3	
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	Sale of steel	1	3,617
Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	rendering of service	1	
Chongqing steel structure industry Company Limited (重慶鋼結構產業有限公司)	Sale of steel		29,738
Total		151,452	191,492

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about related party transactions (Continued)

1. *Purchase and sales of goods, rendering and receiving of services (Continued)*

(2) *Other descriptions*

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

For the purchase price of commodities of the related party, refer to the price or cost plus profit premium for similar transactions between the related party and other third parties, or the suppliers' bid price. The considerations for fixed assets and construction-in-progress purchased from related party or undertaken by related party for construction are determined by the suppliers' bid price.

The price of products sold to related parties are determined with reference to the prices charged by the Company to other third parties or as stipulated by the competent authorities of the Chongqing municipal government.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about related party transactions (Continued)

2. Related party leases

(1) The Company as the lessor (tax excluded)

Name of Lessee	Type of assets leased	Lease income for current period	Lease income for preceding period
Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	Buildings and structures	95	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Buildings and structures	63	35
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Buildings and structures	172	96
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Buildings and structures	33	21
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Buildings and structures	36	40
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Buildings and structures	24	18
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Buildings and structures	32	18
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Buildings and structures	24	11
Chongqing Iron & Steel Group Training Center (重慶鋼鐵集團培訓中心)	Buildings and structures	6	
Chongqing Iron & Steel Group General Hospital (重鋼總醫院)	Buildings and structures	4	
Total		489	239

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about related party transactions (Continued)

2. Related party leases (Continued)

(2) The Company as the lessee

Name of lessor	Types of asset leased	Lease expenses for current period	Lease expenses for the preceding period
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Buildings and structures	222	115
Total		222	115

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

3. Related party guarantees

(1) The Company and its subsidiaries as the guarantor

Guaranteed party	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	754,294	2012/4/17	2024/8/3	No
Total	754,294			

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about related party transactions (Continued)

3. Related party guarantees (Continued)

(2) The Company and its subsidiaries as the guarantee

Guarantors	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not	Remarks
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	5,638,208	2016/6/29– 2017/6/29	2017/7/1– 2018/6/22	No	Short-term Borrowings
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	410,000	2016/7/7– 2017/6/15	2017/7/7– 2018/6/15	No	Notes payable
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	2,772,072	2012/10/25– 2016/4/5	2017/6/21– 2018/6/22	No	Non-current liabilities due within one year
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	7,109,880	2012/10/30– 2016/10/31	2018/10/17– 2022/9/20	No	Long-term Borrowing
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	2,098	2016/10/6	2018/4/6	No	Long-term payables
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)		(Note)		No	Long-term equity investments, other non-current liabilities

Note: refer to Notes V (I) 32 of the Financial Statements for details.

(3) Other Descriptions

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about related party transactions (Continued)

4. Other cash flows between related parties

Related party	Amount borrowed	Amount returned	Interest in the current period
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	462,958	285,349	19,311
Wherein: Borrowings	80,000	160,000	19,311
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)		177,960	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	(Note 1)		
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	(Note 2)		

Note 1: The other cash flows between the Company and Chongqing Iron & Steel Group Chaoyang Gas Company Limited mainly temporarily borrowed to repay the bank loans; the monthly average balance of funds occupied is RMB996,685,000 yuan.

Note 2: The cash flows between the Company and Chongqing Iron & Steel (Group) Transportation Company Limited were mainly the temporary transfer of money for the fund security, and the monthly amount incurred was RMB186,441,000 yuan.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

5. Remuneration of Key Management Personnel

Items	Current Period cumulative	Preceding Period comparative
Remuneration of Key Management Personnel	2,238	2,026

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about related party transactions (Continued)

6. Other related-party transactions

(1) Non-planned and unified social insurance management

The Company has joined the supplementary pension insurance plan implemented by Chongqing Iron & Steel Group and paid supplementary pension insurance premium. The total pension insurance premium of the Company is calculated and contributed on the basis of the salary paid during the year and the basic pension insurance premium contribution percentage as stipulated by the State, in which, after deducting the basic pension insurance premium payable to the social security authorities, the remaining balance is passed on to Chongqing Iron & Steel Group as the supplementary pension insurance premium for retired employees of the Company for centralized administration, and in turn, Chongqing Iron & Steel Group will pay relevant supplementary pension to the retired employees of the Company. Pursuant to an agreement related to the entrusted administration of the retired personnel signed by the Company and Chongqing Iron & Steel Group, the Company shall pay supplementary pension insurance premium to Chongqing Iron & Steel Group, and the retired personnel of the Company is entitled to supplementary pension benefits. Supplementary pension paid by Chongqing Iron & Steel Group to the retired personnel of the Company include: food subsidy, subsidy for utilities, seniority payments, birthday expenses, living expenses for dependents of deceased retired employees, Chinese New Year bonuses. The above expenses are funded by the supplementary pension insurance premium paid by the Company to Chongqing Iron & Steel Group, with shortfalls borne by Chongqing Iron & Steel Group.

Pursuant to the relevant requirements, the Company makes contributions to the supplementary medical insurance premium centrally managed by Chongqing Iron & Steel Group. Such contributions are used for the payment of medical expenses of the Company's employees with heavy individual financial burdens and retired personnel.

Pursuant to the relevant requirements, the Company pays for the labor union fee centrally managed by Chongqing Iron & Group. Such contributions are used for the payment of the operation expenses of the labor union of the Company.

During January to June 2017, the above supplementary pension insurance premium, supplementary medical insurance premium and part of the labor union fee contributed by the Company to Chongqing Iron & Steel Group for centralized administration amounted to RMB10,305,000 yuan (2016 Jan-June: RMB14,854,000 yuan).

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about related party transactions (Continued)

6. Other related-party transactions (Continued)

(1) Non-planned and unified social insurance management (Continued)

Pursuant to the “Reply to the Request of Chongqing Iron & Steel (Group) Co., Ltd. Regarding the Split Medical Insurance Premium” issued by the Chongqing Medical Insurance Management Center in October 2008, the split administration of medical insurance premium of the Company and Chongqing Iron & Steel Group is not advisable for the time being. According to the “Agreement on Withholding and Remitting Basic Medical Insurance” and the “Agreement on Withholding and Remitting Large Amount of Large Amount Medical Insurance” entered into between the Company and Chongqing Iron & Steel Group, the Company's basic medical insurance and large amount medical insurance are calculated and contributed to Chongqing Iron & Steel Group on the basic salary accrued during the year and the percentage as stipulated by the State, and in turn paid by Chongqing Iron & Steel Group to the Medical Insurance Management Center on behalf of the Company. During January to June 2017, the basic medical insurance premium and the large amount medical insurance premium collected and paid by the Company through Chongqing Iron & Steel Group amounted to RMB25,755,000 yuan (2016 Jan-June: RMB33,820,000 yuan). Chongqing Iron & Steel Group has not charged any handling fee for the above transactions.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance due to or from related parties

1. Balance due from related parties

Items	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	67,397		18,971	
	Chongqing Iron & Steel Group Yingsite Mould Company Limited (重慶鋼鐵集團英斯特模具有限公司)	2,756	2,756	2,756	2,756
	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)			2,095	
	Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	1,482		1,482	
	Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	1,180		1,184	
	Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	2,466		252	
	Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	281		39	
	Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	5		11	
	Chongqing Hongfa Real Estate Development Company (重慶宏發房地產開發公司)	5		5	
	Chongqing Iron & Steel Group General Hospital (重鋼總醫院)	1			
Sub-total		75,573	2,756	26,795	2,756
Prepayments	San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)			1,579	
	Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	311		1,073	
Sub-total		311		2,652	

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance due to or from related parties (Continued)

2. Balance due to related parties

Items	Related party	Closing balance	Opening balance
Notes payable	Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)		500,000
	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	410,000	545,250
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)		177,960
	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)		37,000
	Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)		13,000
	Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)		2,000
Sub-total		410,000	1,275,210

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance due to or from related parties (Continued)

2. Balance due to related parties (Continued)

Items	Related party	Closing balance	Opening balance
Accounts payable	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	690,965	652,552
	Chongqing Iron & Steel (Group) Co., Ltd. (重慶鋼鐵(集團)有限責任公司)	159,952	159,947
	Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	48,731	150,519
	Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	79,099	68,359
	Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	36,503	45,627
	Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	22,107	29,211
	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	51,269	21,617
	San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	584	
	Chongqing Iron & Steel Group Refractory material Company Limited (重慶鋼鐵集團耐火材料有限責任公司)	8,317	5,649
	Chongqing Iron & Steel Group Steel Company Limited (重慶鋼鐵集團鋼鐵有限責任公司)	3,123	3,213
	Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	561	621
	Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	368	263
	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)		5
	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	8,092	
	Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	3,091	
Sub-total		1,112,762	1,137,583

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Balance due to or from related parties (Continued)

2. Balance due to related parties (Continued)

Items	Related party	Closing balance	Opening balance
Receipts in advance	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	2	131,945
	Chongqing steel structure industry Company Limited (重慶鋼結構產業有限公司)		31,122
	Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)	1,050	1,050
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	1,033	761
	Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)		4
	Sub-total		2,085
Other payables	Chongqing Iron & Steel (Group) Co., Ltd. (重慶鋼鐵(集團)有限責任公司)	3,007,537	2,764,637
	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	522,650	432,144
	Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	4,656	4,656
	Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	2,966	2,966
	San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	2,326	899
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)		479
	Sub-total		3,540,135

X. CAPITAL MANAGEMENT

The Company's primary objectives of capital management are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by ensuring access to finance at reasonable financial costs.

The Company defines "capital" as shareholders' equity less unrecognized proposed dividends distributions. The Company's capital excludes balances of related party transactions.

The Company's capital structure is regularly reviewed and managed to achieve an optimal structure and returns to shareholders. The factors considered by the Company include: the Company's fund demands in the future, capital efficiency, actual and expected profitability, expected cash flow, and estimated capital expenditures. If any change of the economic conditions influences the Company, the Company will adjust its capital structure.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

X. CAPITAL MANAGEMENT (CONTINUED)

The Company supervises its capital structure through adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes short-term borrowings, long-term borrowings, debentures payable, and finance lease payables) plus unrecognized proposed dividends distributions, less related-party loans with no fixed repayment terms and cash and cash equivalents.

The adjusted net debt-to-capital ratio is as follows:

Items	Closing balance	Opening balance
Current liabilities		
Short-term borrowings	6,103,208	5,700,587
Long-term borrowings due within one year	2,999,072	1,506,504
Finance lease payable due within one year	63,944	4,000
Debentures payable due within one year		1,994,029
Sub-total	9,166,224	9,205,120
Non-current liabilities		
Long-term borrowings	7,561,880	9,073,456
Debentures payable		
Long-term payables – finance lease payable	2,098	61,944
Other Non-current liabilities	1,106,100	776,618
Sub-total	8,670,078	9,912,018
Total debts	17,836,302	19,117,138
Add: dividends proposed for distribution		
Less: Cash and cash equivalents	753,332	745,447
Adjusted net debt	17,082,970	18,371,691
Shareholders' equity	-1,097,749	-107,434
Less: dividends proposed for distribution		
Adjusted capital	-1,097,749	-107,434
Adjusted net debt-to-capital ratio	-16	-171

The management of the company adopted a series of measures to ensure the company's sustainable operation ability according to the actual situation, refer to Notes II (II) of the Financial Statements for details. The Board of Directors made a sufficient and detailed assessment for the sustainable operation ability of the Company, including the review of the working capital prospects formulated by the management in 12 months by the end of 30 June 2018, so as to make sure the needs of working capital, payment of matured debts and capital expenditures.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XI. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

1. *Outsourcing contract with significant amount that was signed and performing or commencing to perform*

Items	Current period cumulative	Preceding period comparative
Outsourcing contract with significant amount that was signed and performing or commencing to perform		3,092,637
Total		3,092,637

As of the balance sheet date, except for the above-mentioned events, the Company does not have other significant commitments that requires disclosure.

2. The Company and POSCO jointly established Chongqing CISL high strength cold rolling steel Co., Ltd (hereinafter referred to as the Cold Rolling Company). The registered capital of the Cold Rolling Company was RMB1,470,270,000 yuan, and the Company held 90% of its equity interest. As at 30 June 2017, the Company had made an initial capital contribution of RMB661,621,500 yuan in time. According to the Articles of Association, the Company shall make the second capital contribution totaling RMB396,972,900 yuan prior to 6 May 2017, and the remaining contribution of RMB264,648,600 yuan before 6 October 2017.
3. The Company and POSCO jointly established Chongqing POSCO CISL automotive steel Co., Ltd (hereinafter referred to as the Automotive steel Company). The registered capital of the Automotive steel Company was RMB532,310,000 yuan, and the Company held 49% of its equity interest. As at 30 June 2017, the Company had made an initial capital contribution of RMB130,416,000 yuan in time. According to the Articles of Association, the Company shall make the second capital contribution totaling RMB78,249,600 yuan prior to 6 May 2017, and the remaining contribution of RMB52,166,400 yuan before 6 October 2017.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Contingencies

1. *Contingent liabilities incurred by pending lawsuit/arbitration and the financial effect*

As at the end of the period, the amount of the pending litigation of the Company was RMB0.3 billion. The litigation of which the involved amount exceeding RMB10,000,000 are as follows:

- (1) In February 2016, Liaoning Qing Hua Fireproofing Co., Ltd. (遼寧青花耐火材料股份有限公司) filed a suit against the Company over the payment for goods in arrear to Dashiqiao People's Court in Liaoning, requesting the court to make a ruling on the contract payment totaling RMB53,796,000 and the interest thereon. As at 30 June 2017, the case was still in trial.
- (2) In November 2016, Wuhan Iron & Steel Engineering Technology Co., Ltd. (武漢鋼鐵工程技術集團有限責任公司) filed a suit against the Company over the project payment in arrear to Chongqing Municipal First Intermediate People's Court, requesting the court to make a ruling on the project payment totaling RMB18,752,030 and the interest thereon. As at 30 June 2017, the case was still in trial.
- (3) In September 2015, Shanghai Pudong Development Bank Co., Ltd. Beijing Branch (上海浦東發展銀行股份有限公司北京分行) filed a suit against Beijing Shuoren Hitech Energy Technology Co., Ltd. (北京碩人海泰能源科技有限公司) over the arrears to the People's Court of Xicheng District, Beijing City. Since Beijing Shuoren Hitech Energy Technology Co., Ltd pledged the receivables of the Company for guarantee, the court was requested to make a ruling that the Company should repay the borrowings totaling RMB14,803,430 and the corresponding interest, penalty interest and compound interest owed by Beijing Shuoren Hitech Energy Technology Co., Ltd as the third defendant. As at 30 June 2017, the case was still in trial.
- (4) On 7 April 2017, Chongqing Yushang Renewable Resources Development Co., Ltd. (重慶渝商再生資源開發有限公司) filed a suit against the Company over the payment for goods in arrear to Chongqing Municipal First Intermediate People's Court, requesting the court to make a ruling on the contract payment totaling RMB89,841,990 and the interest thereon, and refund the RMB6,050,000 guarantee deposit made. As at 30 June 2017, the case was still in trial.
- (5) On 17 April 2017, Chongqing Blasting Engineering Construction Co., Ltd. (重慶市爆破工程建設有限責任公司) filed an application to Chongqing Arbitration Commission for arbitration, requesting Chongqing Arbitration Commission to order that the Company shall pay the project payment in arrear totaling RMB16,372,700 and the interest thereon. As at 30 June 2017, the case was still in arbitration.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Contingencies (Continued)

1. *Contingent liabilities incurred by pending lawsuit/arbitration and the financial effect (Continued)*

- (6) On 23 May 2017, Chongqing Hesheng Huibang Asset Management Co., Ltd. (重慶市和勝匯邦資產管理有限公司) filed a suit against the Company over the payment for goods in arrear to Chongqing Municipal First Intermediate People's Court, requesting the court to make a ruling on the contract payment totaling RMB32,570,520 and the interest thereon. As at 30 June 2017, the case was still in trial.
- (7) On 12 June 2017, SinoSteel Deyuan Mineral Products Co., Ltd. (中鋼德遠礦產品有限公司) filed a suit against the Company over the payment for goods in arrear to Chongqing Municipal First Intermediate People's Court, requesting the court to make a ruling on the contract payment totaling RMB56,735,510 and the interest thereon. As at 30 June 2017, the case was still in trial.
- (8) On 13 June 2017, Chongqing Guohao Construction Co., Ltd. (重慶國豪建設有限公司) filed a suit against CCCC Third Harbor Engineering Co., Ltd. and the Company over the project payment in arrear to the People's Court of Changshou District, Chongqing City, requesting the court to make a ruling on the project payment in arrear and the interest thereon. As at 30 June 2017, the case was still in trial.
- (9) In September 2016, Chongqing Saving Sanfeng Energy Limited (hereinafter referred to as Sanfeng) filed a suit against the Company to Chongqing Municipal High People's Court, requesting the court to make a ruling on the joint and several payment of the electricity fees for processing, compensation and liquidated damages totaling RMB1.93 billion (calculated up to 30 June 2016) by the Company and Chongqing Iron & Steel (Group) Co., Ltd., including electricity fees for processing totaling RMB1.117 billion, the compensation of RMB124 million and the liquidated damages of RMB689 million. The Company didn't accept the calculation method of processing expenses, the compensation or the liquidated damages since it deemed that the performance was affected by the obvious changes in situations including the release of the new Environmental Protection Law and the compulsory requirement on the reduction of emission of SO₂-related wastes in the steel industry, and the claim made by Sanfeng was not fair.

On 29 March 2017, the parties thereto reached an accommodation and entered into an agreement that the Company pay the arrears totaling RMB642 million prior to 30 June 2016 and Sanfeng apply to Chongqing Municipal High People's Court for the withdrawal of lawsuit after the Company making the payment as agreed. As of the date of approval of this financial report, the Company had made the payment in full amount and Sanfeng hadn't applied for withdrawal of lawsuit.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Contingencies (Continued)

1. *Contingent liabilities incurred by pending lawsuit/arbitration and the financial effect (Continued)*

(10) On 1 April 2017, TaiYuan Heavy Industry Co., Ltd. (太原重工股份有限公司) filed a lawsuit against the Company over the payment for goods in arrear to the People's Court of Changshou District, Chongqing City. Zoomlion Heavy Industry Material handling Co., Ltd (中聯重科物料輸送設備有限公司) is the first defendant, and the Company is the second defendant, requesting the court to make a ruling on the contract payment totaling RMB12,147,000 from Zoomlion and the Company. As at 30 June 2017, the case was still in trial.

2. *Contingent liabilities incurred by providing debt guarantees for other entities and the financial effect*

For relevant matters about the guarantee provided for related parties, refer to note IX (II) 3 "related parties and related-party transactions" of the Financial Statements for details.

XII. EVENTS AFTER BALANCE SHEET DATE

1. On 3 July 2017, Chongqing Municipal First Intermediate People's Court issued (2017) Y01 PoShen No. 5 Civil Ruling Paper, accepting the application made by the creditor Chongqing Laiqiyuan Trading Co., Ltd. for company reorganization; it also issued (2017) Y01 Po No. 3 Decision, designating the liquidation team of Chongqing Iron & Steel Company Limited to take charge of the reorganization as the superintendent of the Company, and deciding that the Company shall enter into the bankruptcy reorganization procedure.
2. In July 2017, Chongqing Blasting Engineering Construction Co., Ltd. applied to Chongqing Arbitration Commission for the withdrawal of the arbitration application. On 16 July 2017, Chongqing Arbitration Commission made an award of arbitration (2017) YZZ No. 706 Decision of Chongqing Arbitration Commission, approving the application for withdrawal of arbitration made by Chongqing Blasting Engineering Construction Co., Ltd.

As of the date of approval of this financial report, the Company has no other significant non-adjusted matters among the events after balance sheet date need to be disclosed.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIII. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Identification basis and accounting policies for reportable segments

The Company will determine different segments based on the internal organizational structure, management requirements and internal report system. The Company's operating segments refer to those components meeting the following conditions at the same time:

- (1) The segment may generate revenue and incur expenses in daily activities;
- (2) The segment's operating results are regularly assessed by the Group's management to allocate its resources and assess its performance;
- (3) The segment's financial position, operation result, cash flow and other accounting information can be obtained by analysis.

The Company will determine its reportable segments on the basis of its product segments. The assets and liabilities used with various segments shall be distributed among different segments according to different proportions.

2. Financial information of reportable segments

Items	Steel		Inter-segment offset	Total
	Iron and Steel segment	Processing segment		
Revenue from principal activities	4,510,381	306		4,510,687
Cost of principal operations	4,409,201	259		4,409,460
Total assets	36,545,487	71,266	-110,480	36,506,273
Total liabilities	37,662,654	849	-59,481	37,604,022

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(I) Segment information (Continued)

3. Information of significant customers

The Company has 1 customer (During Jan to June 2016: 1) from which the operating incomes reach or exceed 10% of the Company's total operating income. The operating income from this customer represents about 84% of the Company's total operating income.

The customer which the operating income reach or exceed 10% of the Company's total operating income stated below:

Name of Customer	Operating income	Proportion of total operating income of the Company (%)
Customer 1	3,792,733	84
Total	3,792,733	84

(II) Significant assets restructuring

On 4 June 2016, the Company released the Announcement of Suspension of Share Trading for Significant Assets Restructuring, and the ultimate controlling party Chongqing State-Owned Assets Supervision and Administration Commission planned for the significant assets restructuring of the Company. On August 31, 2016, the Company entered into the Framework Agreement of Significant Assets Restructuring (hereinafter referred to as the Framework Agreement) with Chongqing Yu Fu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) (hereinafter referred to as Yu Fu Holding) upon approval by resolution of the 62nd meeting of the 7th Session of Board Meeting, reaching an initial intention on the significant assets restructuring. The Company and each transaction party have carried out repeated planning and validations and according to related regulatory provisions and requirements on significant assets restructuring, the Company predicted that it is difficult to reach consensus with each transaction party on significant assets restructuring and disclose proposals regarding significant assets restructuring within the specified time. Therefore, on 27 April 2017, as decided in the 92nd written resolution made in the 7th session of the Board, the Company suspended the significant assets restructuring.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Significant cooperation agreement

On 30 December 2016, the Company entered into a Cooperation Framework Agreement with Chongqing Qianxin International Trade Co., Ltd. (重慶千信國際貿易有限公司) (hereinafter referred to as Qianxin Company), agreeing that the parties thereto shall have cooperation in the purchase of main materials needed in the production and the sales of steel products with a temporarily determined cooperation period of three years from January 1, 2017 to 31 December 2019. The parties thereto agree to determine the purchase price and sales price following the market pricing principle. During the cooperation period, Qianxin Company provides materials for the Company according to the purchase plan, the Company agrees to give priority to Qianxin Company in the supply of steel products, and the parties thereto make settlement by the year. The Company agrees to take the materials in stock including raw materials and finished products as the floating mortgage to Qianxin Company for the unpaid purchase price. The agreement was adopted at the 80th meeting of the 7th Session of Board Meeting.

(IV) Significant investment event

On 6 August 2015, the Company reached a primary consensus and signed a cooperation framework agreement with POSCO Korea Co., Ltd. (hereinafter referred to as POSCO) for the joint venture project for cold rolling and joint venture project for galvanized projects in Chongqing. On 6 April 2016, the Company and POSCO signed the Joint Venture Contract Between Chongqing Iron & Steel Company Limited and POSCO on Chongqing CISL High Strength Cold Rolling Steel Co., Ltd. and Joint Venture Contract Between Chongqing Iron & Steel Company Limited and POSCO on Chongqing POSCO CISL Automotive Steel Co., Ltd. respectively. Under the contracts, the parties thereto will establish joint venture companies in Chongqing for the joint venture project for cold rolling and galvanized projects respectively. The total amount of investment at all stages is RMB6,235.27 million, and the total amount of investment at the time of establishment is RMB3,230.77 million. The parties thereto agree to make capital contribution in cash, of which the Company will contribute 90% of the capital of Cold Rolling Company and 49% of the capital of POSCO CISL Automotive Steel. The above joint venture contract was adopted at the 41st meeting of the 7th session of the Board and the annual shareholders' meeting in 2015. As at 30 June 2017, the Company actually contributed RMB661,621,500 to the Cold Rolling Company and RMB130,416,000 to POSCO CISL Automotive Steel.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(V) Matters regarding listing suspension of “10 CISL bond” and ahead-of-schedule repayment

As approved by China Securities Regulatory Commission, the Company issued “10 CISL bond” (bond code: 122059 at Shanghai Stock Exchange in December, 2010 with a total issuance amount of RMB2 billion and bond term of 7 years and date of repayment of principal is 9 December 2017. Because the net profit of the Company in 2015 and 2016 was audited as negative and net assets at the end of the period in 2016 were audited as negative, Shanghai Stock Exchange decided to suspend the listing of “10 CISL bond” from 13 April 2017 and the securities abbreviations was changed from “10 CISL bond” to “CISL bond suspension”.

On 25 May 2017, the first session of bond holders meeting for “CISL bond suspension” in 2017 passed the Proposal regarding ahead-of-schedule Repayment of All the Outstanding Principal and Interest of “CISL Bond Suspension, the Proposal of Addition of Chongqing Guochuang Investment Management Co., Ltd. as the Guarantor to Pay the Principal and Interest of “CISL Bond Suspension”, the Proposal that after the Addition of Chongqing Guochuang Investment Management Co., Ltd. as the Guarantor to Pay the Principal and Interest of “CISL Bond Suspension”, Chongqing Guochuang Investment Management Co., Ltd. (重慶國創投資管理有限公司) is Entitled to All the Legal Rights and Obligations under “CISL Bond Suspension”, Including But Not Limited to Right of Recourse against the Company, and as decided by the Meeting, it was agreed to modify the duration of “CISL bond suspension” and repay all the outstanding principal and interest ahead of schedule and complete the honor of securities for principal and interest on the date no later than 15 July 2017; it was also agreed that Chongqing Guochuang provided guarantee of joint liability for “CISL bond suspension”, paid the principal and interest of “CISL bond suspension” on behalf of the Company ahead of schedule. On 26th June 2017, Chongqing Guangchuang completed the said repayment of principal and interest.

(VI) Matters about share pledge by controlling shareholders

As at 30 June 2017, CISG totally hold 2,096,981,600 A shares of the Company, accounting for 47.27% of the total shares of the Company, including 952,000,000 shares accumulatively pledged (accounting for 45.40% of the total shares held by CISG and 21.46% of the total share capital of the Company).

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(VII) Material uncertainty related to going concern

In the first half of 2017, the net loss attributable to the owners of the Parent Company was RMB998 million, the net cash outflow from operating activity was RMB88 million; as at 30 June 2017, total equity attributable to the owners of the Parent Company was RMB-1.2 billion, the debt to assets ratio was 103.00%, with current liabilities exceeding current assets by RMB25.286 billion. Some bank accounts of the Company were frozen by the court due to litigation. The above indicated the existence of a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern, as a result of which the Company may not be able to liquid its assets or pay off its debts during the ordinary course of business

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

(I) Notes to items in the Parent Company's balance sheets

1. Accounts receivable

(1) Details

1) Details on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	446,194	99	164,745	37	281,449
Receivable of individually insignificant amount but with provision made on an individual basis	2,756	1	2,756	100	
Total	448,950	100	167,501	37	281,449

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in the Parent Company's balance sheets (Continued)

1. Accounts receivable (Continued)

(1) Details (Continued)

1) Details on categories (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	423,313	99	164,745	39	258,568
Receivable of individually insignificant amount but with provision made on an individual basis	2,756	1	2,756	100	
Total	426,069	100	167,501	39	258,568

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in the Parent Company's balance sheets (Continued)

1. Accounts receivable (Continued)

(1) Details (Continued)

- 2) In portfolios, accounts receivable with provision made on a collective basis with aging analysis method

Ages	Book balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 3 months (third month inclusive)	13,783		
4-12 months (first year inclusive)	120,009	5,751	5
1-2 years	103,941	25,985	25
2-3 years	2,332	1,166	50
Over 3 years	131,843	131,843	100
Sub-total	371,908	164,745	44

- 3) In portfolios, accounts receivable with provision made on a collective basis with other method

Portfolios	Book balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Accounts receivable of related parties	74,286.00		
Sub-total	74,286.00		

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in the Parent Company's balance sheets (Continued)

1. Accounts receivable (Continued)

(2) Aging Analysis

Ages	Book balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 3 months (third month inclusive)	83,145		
4–12 months (first year inclusive)	123,616	5,916	5
1–2 years	103,866	25,381	24
2–3 years	3,722	1,861	50
Over 3 years	134,601	134,343	100
Total	448,950	167,501	37

(3) *Accounts receivable provided for bad debts, collected or reversed for the period*
No bad debt provision in the current period

(4) *Five largest accounts receivable by debtor*

The subtotal of five largest accounts receivable of the parent company at the end of the period is RMB259,943,000 yuan, representing 58% of the total accounts receivable, and the provision of bad debts is RMB41,905,000 yuan.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in the Parent Company's balance sheets (Continued)

2. Other receivables

(1) Details

1) Details on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	15,827	21	15,827	100	
Other receivables that were not impaired upon separate impairment test	55,348	77			55,348
Receivable of individually insignificant amount but with provision made on an individual basis	1,131	2	1,131	100	
Total	72,306	100	16,958	23	55,348

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in the Parent Company's balance sheets (Continued)

2. Other receivables (Continued)

(1) Details (Continued)

1) Details on categories (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	15,827	21	15,827	100	
Other receivables that were not impaired upon separate impairment test	58,084	77			58,084
Receivable of individually insignificant amount but with provision made on an individual basis	1,131	2	1,131	100	
Total	75,042	100	16,958	23	58,084

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in the Parent Company's balance sheets (Continued)

2. Other receivables (Continued)

(1) Details (Continued)

- 2) Receivables of individually significant amount and with provision made on an individual basis at the end of the period

Name of debtor	Book balance	Provision for bad debts	Percentage (%)	Reasons for provision made
Chongqing Iron and Steel Industry and Trade (Zhanjiang) Company (湛江重鋼工貿公司)	10,240	10,240	100	Low probability to recover
Chongqing Special Steel Company Limited (重慶特殊鋼股份有限公司)	5,587	5,587	100	Low probability to recover
Sub-total	15,827	15,827	100	

(2) Other receivables categorized by nature

Nature of amount	Closing balance	Opening balance
Payment on account	46,069	43,464
Guarantee deposits and petty cash	14,703	14,763
Others	11,534	16,815
Total	72,306	75,042

(3) Five largest other receivables by debtor

The subtotal of five largest other receivables of the parent company at the end of the period is RMB32,765,000 yuan, representing 45% of the total other receivables of the parent company, and the provision of bad debts is RMB15,827,000 yuan.

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in the Parent Company's balance sheets (Continued)

3. Long-term equity investments

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	762,622		762,622	762,622		762,622
Investment in joint ventures	129,104		129,104	131,015		131,015
Total	891,726		891,726	893,637		893,637

(2) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd. (靖江三峰鋼材加工配送有限公司)	51,000			51,000		
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	50,000			50,000		
Guizhou CIS Iron and Steel Sales Co., Ltd. (貴州重鋼鋼鐵銷售有限責任公司) (Note 1)						
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司) (Note 1)						
Chongqing CISL high Strength Cold Rolling Steel Co., Ltd. (重慶重鋼高強冷軋板材有限公司) (Note 2)	661,622			661,622		
Sub-total	762,622			762,622		

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in the Parent Company's balance sheets (Continued)

3. Long-term equity investments (Continued)

(3) Investments in joint venture

Investees	Opening balance	Investments increased	Investments decreased	Increase/Decrease	
				Investment income recognized under equity method	Adjustment in other comprehensive income
Chongqing POSCO CISL Automotive Steel Co., Ltd (重慶浦項重鋼汽車板有限公司) (Note 3)	131,015			-1,911	
Total	131,015			-1,911	

Investees	Changes in other equity	Increase/Decrease			Closing balance	Closing balance of provision for impairment
		Cash dividend/profit declared for distribution	Provision for impairment	Others		
Chongqing POSCO CISL Automotive Steel Co., Ltd (重慶浦項重鋼汽車板有限公司) (Note 3)					129,104	
Total					129,104	

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items in the Parent Company's balance sheets (Continued)

3. Long-term equity investments (Continued)

(4) Investments in unlisted and listed companies

Items	Closing balance	Opening balance
Investments in unlisted companies	891,726	893,637
Total	891,726	893,637

Note 1: The Company contributed to establish Guizhou CIS Iron and Steel Sales Co., Ltd (貴州重鋼鋼鐵銷售有限責任公司), and Chongqing CIS Building Materials Sales Co., Ltd (重慶市重鋼建材銷售有限責任公司), the subscription amount is 10 million respectively, as of the balance sheet date, the Company has not yet paid the subscription amount.

Note 2: POSCO and the Company jointly established and contributed Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司), refer to Notes to the Financial Statements XI (I) 2 for details.

Note 3: POSCO and the Company jointly established and contributed Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司), refer to Notes to the Financial Statements XI (I) 3 for details.

(II) Notes to items in the Parent Company's income statement

1. Operating revenue and operating costs

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from principal activities	4,374,410	4,273,769	2,568,309	3,221,428
Revenue from other operations	11,040	3,357	11,875	4,342
Total	4,385,450	4,277,126	2,580,184	3,225,770

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items in the Parent Company's income statement (Continued)

2. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under cost method	-2,636	
Investment income from long-term equity investments under equity method	-1,911	
Total	-4,547	

XV. OTHER SUPPLEMENTARY INFORMATION

(I) Non-recurring profit and loss

1. Details of non-recurring profit or loss

Items	Amount	Remarks
Profit/loss on disposal of non-current assets, including write-off of provision for asset impairment	6	
Unauthorized or informal approval documents or one-off tax refunds and exemptions on tax Government grants recognized in the profit or loss for the period (except for those closely related to the operating activities of the Company, incompliance with the requirements under the State's policies, and continuously entitled to quantitative or qualitative government grants according to certain standards)	6,286	
Capital occupancy fee from non-financial enterprises recognized through profit or loss		

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(I) Non-recurring profit and loss (Continued)

1. Details of non-recurring profit or loss (Continued)

Items	Amount	Remarks
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost		
Profit or loss of non-monetary assets exchange		
Profit or loss on assets consigned to the third party for investment or management		
Provision of impairment of assets due to force majeure such as suffering from natural disaster		
Profit or loss from debt restructuring		
Entity restructuring expenses, i.e. expenses for staff settlement, integration costs, etc		
Profit or loss from transactions with obvious unfair transaction price		
Net profit or loss for the current period on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Profit or loss arising from contingencies which are non-operating activities		
Gains on changes in fair value of financial assets and liabilities which are measured by the fair value and with the variation recognized into current profit and loss; and investment income from disposal of available-for-sale financial assets, financial assets and liabilities which are measured by the fair value and with the variation recognized into current profit and loss, excluding those arising from effective hedging business related to operating activities		

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(I) Non-recurring profit and loss (Continued)

1. Details of non-recurring profit or loss (Continued)

Items	Amount	Remarks
Reversal of impairment provision for receivables tested for impairment on individual basis		
Profit and loss obtained by externally designated loans		
Profit or loss from changes in fair value of investment real estate with subsequent measurement at the fair value mode		
Profit or loss on reconciliation of current period profit or loss following legal and regulative requirements		
Custodian fee income arising from consigned operations		
Other non-operating income and expenses other than the aforesaid items	-437	
Other profit or loss item that satisfied the definition of non-recurring profit or loss		
<hr/>		
Sub-total	5,855	
<hr/>		
Less: enterprise income tax affected (decrease in enterprise income tax represented with "-")		
Effects on non-controlling interest (after tax)		
Net non-recurring profit or loss attributable to shareholders of the parent company	5,855	
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Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) Return on net assets and earnings per share

1. Details

Profit of the reporting period	Weighted average RONA (%)	Earnings per share (yuan/share)	
		Basic Earnings per share	Diluted Earnings per share
Net profit attributable to ordinary shareholders of the Company	N/A	-0.23	-0.23
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	N/A	-0.23	-0.23

Notes to Financial Statements (Continued)

For January to June 2017 Monetary unit: RMB'000 Yuan

XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) Return on net assets and earnings per share (Continued)

2. Basic earnings per share and diluted earnings per share

(1) Calculation process of basic earnings per share

Items	Symbols	Current period cumulative
Net profit attributable to ordinary shareholders of the Company	A	-998,482
Non-recurring profit and loss	B	5,855
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	C=A-B	-1,004,337
Opening balance of total shares	D	4,436,023
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased by the issuance of new shares or conversion of debt into shares	F	
The accumulative number of months from the next month of the increased shares to the end of the reporting period	G	
Number of the shares decreased by repurchase, etc.	H	
The accumulative number of months from the next month of the decreased shares to the end of the reporting period	I	
Number of reduced shares in the reporting period	J	
The number of months in the reporting period	K	6
Weighted average of outstanding ordinary shares	$L = \frac{D+E+F \times G}{K-H \times I/K-J}$	4,436,023
Basic earnings per share	M=A/L	-0.23
Basic earnings per share after deducting non-recurring profit or loss	N=C/L	-0.23

(2) The calculation process of diluted earnings per share

The calculation process of diluted EPS is basically the same as that of basic EPS.

Documents Available for Inspection

Documents Available for
Inspection

A copy of interim report, containing the signature of the Chairman.

A copy of financial report, containing the signatures of and sealed by the person-in-charge of the Company, the person-in-charge of the accounting work and the person-in-charge of the accounting body.

Copies of all documents which publicly disclosed in the publications designated by the CSRC during the Reporting Period.

Copies of summary of interim report published in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and preliminary results announcement published on the website of Hong Kong Stock Exchange.

Chairman: **Liu Dawei**

Approved by the Board for reporting and submission: 30 August 2017

REVISION

Applicable

Not applicable